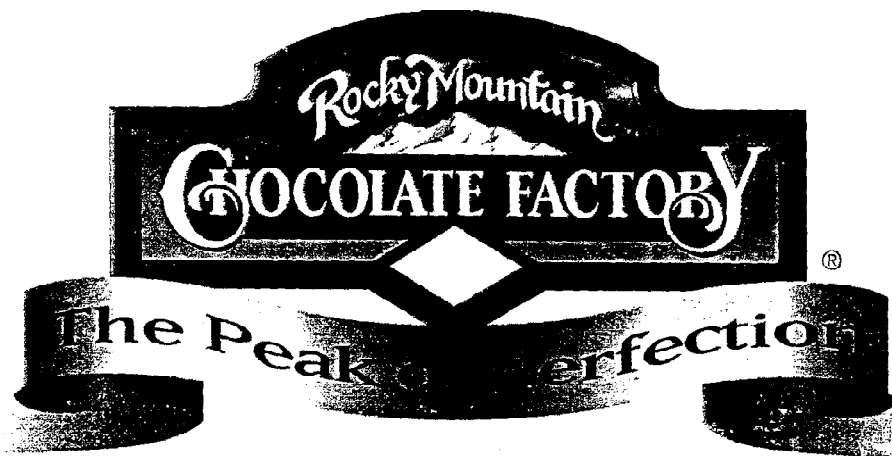


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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
FRANCHISE OFFERING CIRCULAR

* * * * *

**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
(a Colorado corporation)
265 Turner Drive
Durango, Colorado 81303
Telephone: (970) 259-0554
www.rmcf.com

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

There may be laws on franchising in your state. Ask your state agencies about them.

**FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580**

THE DATE OF ISSUANCE OF THIS OFFERING CIRCULAR IS:

June 16, 2003

**FRANCHISE OFFERING CIRCULAR
FOR PROSPECTIVE FRANCHISEES REQUIRED BY
THE STATE OF CALIFORNIA**



ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
(a Colorado corporation)
265 Turner Drive
Durango, Colorado 81303
Telephone: (970) 259-0554
www.rmcf.com

Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, is offering franchises for the retail sale of gourmet chocolate and other premium confectionery products. The initial franchise fee ranges from \$19,500 to \$49,000. The estimated initial investment for a franchise ranges from \$88,500 to \$430,500.

Risk Factors:

1. **THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE US ONLY IN COLORADO. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO SUE US IN COLORADO THAN IN YOUR HOME STATE.**
2. **THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the state authority listed in Exhibit A.

Effective date: June 16, 2003

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CALIFORNIA ADDENDUM TO OFFERING CIRCULAR
ITEM 3 ADDENDUM

EXHIBITS

- Exhibit A List of State Agencies/Agents for Service of Process
- Exhibit B Franchise Agreement
- Exhibit C List of Franchisees
- Exhibit D Franchisees Who Have Left the System
- Exhibit E Financial Statements
- Exhibit F Operations Manual Table of Contents
- Exhibit G Sublease and Assignment Agreements
- Exhibit H Addendum to Franchise Agreement – Satellite Stores
- Exhibit I Addendum to Franchise Agreement – Temporary Stores
- Exhibit J Addenda to Franchise Agreement – Renewal and Transfer
- Exhibit K Closing Acknowledgment
- Exhibit L Receipt of Offering Circular

ITEM 1**THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES****The Franchisor.**

The name of the franchisor is Rocky Mountain Chocolate Factory, Inc. For ease of reference, Rocky Mountain Chocolate Factory, Inc. means "we" or "RMCF" in this Offering Circular. We refer to the person who buys the franchise as "you" throughout this Offering Circular. If you are a corporation, partnership or limited liability company ("**Business Entity**"), certain provisions of the Franchise Agreement also apply to your owners as noted in the Franchise Agreement.

Our principal offices are located at 265 Turner Drive, Durango, Colorado 81303. We presently do business under the name "Rocky Mountain Chocolate Factory, Inc." We were formed in November, 1982, as a Colorado corporation. We have no predecessors or affiliates. Our agents for service of process are listed on Exhibit A.

The Franchise.

We offer franchises for the establishment and operation of retail stores ("**ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**" or "**Stores**") which sell gourmet chocolates and other premium confectionery products, featuring ROCKY MOUNTAIN CHOCOLATE FACTORY brand candy that you purchase from our factory in Durango, Colorado ("**Factory Candy**"), confectionery items that you make in the Store, such as caramel apples ("**Store Candy**"), and non-confectionery items ("**Items**"), including gifts and small toys. We license the Stores to use the service mark "ROCKY MOUNTAIN CHOCOLATE FACTORY" and related trademarks ("**Marks**") and our marketing plan and proprietary business methods ("**System**").

You must sign our Franchise Agreement ("**Franchise Agreement**"), (Exhibit B to this Offering Circular). The Franchise Agreement grants you the right to use our Marks and System to operate your own Store at a business premises which we must first approve ("**Franchised Location**"). If they qualify, existing franchisees may operate "**Satellite Stores**" and "**Temporary Stores**" by signing the applicable addendums to the Franchise Agreement, Exhibits H and I to this Offering Circular. Depending on the type of retail environment you choose for your Franchised Location and the type of Store you wish to operate, we offer eight different Store plans, ranging from a full-sized Store option to a variety of "**Kiosk Stores**," all of which we refer to in this Offering Circular as "**Stores**" or "**ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**." See Item 7.

Regulations Affecting Franchise.

There are no regulations specific to the operation of a Store in your state, although you must comply with all local, state and federal health and sanitation laws relating to food handling and the sale of food. You must comply with employment, worker's compensation, insurance, corporate, taxing, licensing and similar laws and regulations of a more general nature applicable to most businesses.

Market Competition.

As a ROCKY MOUNTAIN CHOCOLATE FACTORY franchisee, you may face competition from firms such as Godiva Chocolatier, See's Candy, Fannie May and Fannie Farmer, or local, independent candy stores and other specialty food stores.

Our Prior Business Experience.

We have 22 years of experience in the operation of our business and as of the date of this Offering Circular, we operate 8 company-owned Stores. We began offering franchises in 1982.

We offered franchises for retail stores which featured moving characters, lights, music and imitation candy-making machines and which sold bulk candy under the mark FUZZIWIG'S CANDY FACTORY from June 1996 through May 1998. Other than the FUZZIWIG'S CANDY FACTORY franchises, we have not offered franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

President, Chairman of Board and Director: Franklin E. Crail.

Franklin E. Crail co-founded the first ROCKY MOUNTAIN CHOCOLATE FACTORY retail store in May 1981. Since our incorporation in November 1982, he has served as our President and a Director, and from September 1984 to January 2000, as Treasurer. He was elected Chairman of the Board in March 1986.

Chief Financial Officer, Chief Operating Officer, Treasurer and Director: Bryan J. Merryman.

Bryan J. Merryman joined us in December 1997 as our Chief Financial Officer. Mr. Merryman became Chief Operating Officer in April 1999 and was appointed to the board of directors in March 1999. He was elected Treasurer in January 2000. From March 1997 through November 1997, Mr. Merryman served as a principal of Knightsbridge, Inc., an investment bank in San Francisco, California. From December 1996 through February 1997, Mr. Merryman was a self-employed financial consultant in Reno, Nevada. From July 1995 through November 1996, Mr. Merryman served as the Chief Financial Officer for Super Shops, Inc., an auto parts retailer located in Reno, Nevada. From January 1984 through July 1995, Mr. Merryman served as Senior Manager at Deloitte and Touche, an accounting firm in Reno, Nevada.

Senior Vice President/Sales and Marketing: Edward L. Dudley.

Edward L. Dudley joined us in January 1997 as Vice President of Product Sales Development. In 1998, he was promoted to Vice President of Sales and Marketing and in 2000, he was promoted to Senior Vice President of Sales and Marketing. From October 1995 through January 1997 he served as the Director of Distribution Services for Allegiance Healthcare, a healthcare supplier located in McGraw Park, Illinois.

Vice President/Franchise Operations: Gregory L. Pope.

Gregory L. Pope became Vice President of Franchise Operations in June 2001. Since joining RMCF in October 1990, he has served in various positions including Store manager, new Store opener and franchise field consultant. In March 1996, he became our Director of Franchise Development and Support, a position he held until he was promoted to his present position.

Chief Information Officer: William K. Jobson.

William K. Jobson joined RMCF in July 1998 as Director of Information Technology. In June 2001, he was promoted to Chief Information Officer, a position created to enhance RMCF's strategic focus on information and information technology. From July 1995 to July 1998, Mr. Jobson worked for ADAC Laboratories in Durango, Colorado, a leading provider of diagnostic imaging and information systems solutions in the healthcare industry, as Manager of Technical Services and before that, Regional Manager.

Vice President/Creative Services: Jay B. Haws.

Jay B. Haws joined us in August 1991 as Vice President of Marketing. In 1998, we changed the name of our Marketing Department to Creative Services. Mr. Haws was closely associated with us from 1981 to 1991 through franchise ownership and marketing support services performed by Jay Haws Design and Image Group, Inc., a marketing communications firm located in northern California in which he served as Vice President from 1983 to 1989.

Secretary: Virginia Perez.

Virginia Perez has served as our corporate secretary since June 1996.

Director: Fred M. Trainor.

Fred M. Trainor became a director in August 1992. He has served as Chief Executive Officer and President of Avcor Health Care Products, Inc., located in Fort Worth, Texas, since December 1984.

Director: Lee N. Mortenson.

Lee N. Mortenson became a director in November 1987. Mr. Mortenson has been engaged in consulting, investments, troubled companies, and due diligence activities since July 2000, and has served as a Managing Director in Kensington Partners, LLC, a private investment firm located in Hickory, North Carolina, since June 2001. Mr. Mortenson has been President and CEO of Newell Resources, LLC, located in Hickory, North Carolina, since 2002 providing management consulting and investment services. He served as President, Chief Executive Officer and a director of Sunstates Corporation (formerly known as Acton Corporation), located in Raleigh, North Carolina, from May 1988 to December 1990 and he was President, Chief Operating Officer and a director of Sunstates Corporation from December 1990 to February 2000. Mr. Mortenson also served as President, Chief Operating Officer and a director of Telco Capital Corporation, a manufacturing and real estate business located in Chicago, Illinois, from January 1984 to February 2000. Mr. Mortenson was a director of Alba-Waldensian, Inc., which is principally engaged in the manufacturing of apparel and medical products from 1984 to July 1999, and served as its President and Chief Executive Officer and as a director from February 1997 to July 1999.

Director: Gerald A. Kien.

Gerald A. Kien became a director in August 1995. He is presently retired. From 1993 to 1995, he served as Chairman of the Board and Chief Executive Officer of Remote Sensing Technologies, Inc., a subsidiary of Envirotech Systems, Inc., a company engaged in the development of instrumentation for vehicle emissions testing located in Tucson, Arizona. From 1989 to 1993, Mr. Kien served as Chairman of the Board of Directors, President and Chief Executive Officer of Sun Electric Corporation, a

manufacturer of automotive test equipment located in Crystal Lake, Illinois. Mr. Kien has served as a Director and as Chairman of the Executive Committee of Sun Electric Corporation since 1980.

Director: Clyde W. Engle.

Clyde W. Engle became a director in January 2000. To the best of our knowledge, he has served as President of Coronet Insurance Company, Crown Casualty Company and National Assurance Indemnity Company, all insurance companies, since 1986 and as Chairman of the Board of Sunstates Corporation (formerly known as Acton Corporation), located in Raleigh, North Carolina since December 1985, as Chairman of the Board and Chief Executive Officer of GSC Enterprises, Inc., located in Chicago, Illinois since 1976, and President of RDIS Corporation, located in Chicago, Illinois since 1982, Chairman of the Board, Chief Executive Officer and President of Hickory Furniture Company located in Chicago, Illinois, since 1990, and as Chairman of the Board of Telco Capital Corporation, located in Chicago, Illinois, since 1977.

ITEM 3

LITIGATION

See Item 3 Addendum immediately following this Offering Circular for litigation information. Other than those 6 actions on the Item 3 Addendum attached, no litigation is required to be disclosed in this Offering Circular to the best of our knowledge.

ITEM 4

BANKRUPTCY

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

You must pay between \$24,500 and \$49,000 as an initial franchise fee, \$5,000 of which you must pay when you sign the Franchise Agreement. You must pay the remainder at the earlier of the date you sign the lease for a Franchised Location, or 120 days after you sign the Franchise Agreement. We discount the initial franchise fee by \$5,000 if you purchase an additional franchise. We do not give refunds of these amounts, once paid, under any circumstances. See Item 7.

We offer no financing for the initial franchise fee. See Item 10.

The initial franchise fee includes between \$5,000 and \$29,500 for opening Factory Candy inventory and cooking supplies that you must purchase from us within 30 days after your Store opens. These costs are nonrefundable in all circumstances. See Item 7.

We reserve the right to hire a professional to negotiate the lease for you and you must reimburse us for the professional's fees. We did not use a professional to negotiate any leases during our fiscal year 2003, but we estimate these fees would be approximately \$3,000 per lease negotiated. You may also hire a lease professional at your cost and discretion to negotiate your lease subject to our required provisions.

Except as set forth above, all franchisees currently acquiring a franchise pay the same initial franchise fee.

ITEM 6

OTHER FEES

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Product Purchase Costs ³	As stated in our published price lists	Net 30 days from invoice	We may change our price lists
Royalty ^{1,4}	5% of Gross Retail Sales each month, with a quarterly adjustment to exclude payments on purchases of Factory Candy, Store Candy ingredients and other items purchased from the Franchisor.	Payable monthly by the 15th day of the next month. Any amounts due following the quarterly adjustment are payable by the 15 th day of the next month.	"Gross Retail Sales" is defined below. Following the end of each quarter, we calculate the number of pounds of Factory Candy and other items you purchased during the previous quarter times a fixed amount depending on the item purchased and subtract that from Gross Retail Sales, resulting in an Adjusted Gross Retail Sales figure. You owe us 10% of Adjusted Gross Retail Sales each quarter. We then compare total monthly Royalty paid to the amount due on Adjusted Gross Retail Sales and you are billed or credited the difference, if any.
Interest ¹	18% per annum	On demand, but only if you are delinquent in your payments to us.	Begins to accrue the day after payments are due
Marketing and Promotion Fee ^{1,4}	1% of Gross Retail Sales	Payable monthly by the 15th day of the next month	"Gross Retail Sales" is all revenue from the Store, but does not include taxes, refunded sales, settlements, fundraising sales, corporate sales, non-inventory sales or shipping expenses charged to a customer
Inspection and Audit Fee ¹	Costs of audit or inspection	On demand	Payable only if you understate your Gross Retail Sales by more than 5%
Transfer Fee ¹	\$2,500	Before effectiveness of transfer	Payable when you transfer the Franchise Agreement, an interest in the Store or the franchise

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Successor Franchise Fee ¹	\$100	When you sign the then current Franchise Agreement	
Training Program Expenses ²	Costs associated with attending mandatory training session	As incurred	We may require additional training occasionally
Payments for Items Supplied by Us ^{1,4}	Then current published price	As incurred	We may charge you for all items you buy through us
Costs and Attorneys' Fees ¹	Varies under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement
Design Fee for the Interior and Layout of Relocated or Remodeled Stores ¹	\$2,500	As incurred	Payable only if you relocate or remodel your Store during the term of your Franchise Agreement
Indemnification Under Franchise Agreement ¹	Varies under circumstances	As incurred	You must reimburse us if we are held liable for claims resulting from your Store
Insurance Premiums ¹	Varies under circumstances	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us
Administrative Fee ¹	Varies up to 15% of the amount collected by us	As incurred	If you do not pay your landlord or any other third party, we can collect the money from you and pay the person owed and you must reimburse us.

¹ Fees which we impose which you pay to us. All of these fees are nonrefundable.

² Expenses associated with travel, meals and lodging while you attend initial training sessions. You pay all of these expenses to third parties.

³ You may purchase products from us or a supplier we designate or approve. These fees are nonrefundable.

⁴ We reserve the right to require you to transfer funds to us electronically.

ITEM 7

**INITIAL INVESTMENT
FOR FULL-SIZED STORES
LOCATED IN VARIOUS RETAIL ENVIRONMENTS**

Full-Sized Store Expenditures	Full-Sized Store High	Full-Sized Store Low	When Due	Method of Payment	Whether Refundable	To Whom Payment Must Be Made
Initial Franchise Fee (See Note 1)	\$49,000	\$23,000	\$5,000 at signing of Franchise Agreement, the rest in 120 days or on signing your lease, whichever is earlier	Cash or Check	No	Us
Real Estate and Improvements (See Note 2)	200,000	74,000	Before opening	As incurred	No	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	75,000	9,000	Before opening	As incurred	No	Suppliers
Equipment (See Note 3)	49,000	10,000	Before opening	As incurred	No	Suppliers
as	8,000	2,500	Before opening	As incurred	No	Suppliers
Opening Inventory and Cooking Supplies Purchased from Us (See Note 4)	See Note 1	See Note 1	30 days after shipping	Lump sum	No	Us
Opening Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	8,000	2,000	10-30 days after shipping	As incurred	No	Suppliers
Security Deposits, Utility Deposits, Business Licenses (See Note 5)	10,000	1,000	Before opening	As incurred	Deposits are refundable; business licenses are not	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 6)	5,000	1,500	Before opening	As incurred	No	Suppliers
Additional Funds - 3 months (See Note 7)	26,500	5,500	As incurred	As incurred	No	Suppliers

Full-Sized Store Expenditures	Full-Sized Store High	Full-Sized Store Low	When Due	Method of Payment	Whether Refundable	To Whom Payment Must Be Made
TOTAL ESTIMATED INITIAL INVESTMENT FOR STORES (See Note 8)	\$430,500	\$128,500				

Explanatory Notes for Full-Sized Stores

Note 1: Initial Franchise Fee. The opening candy inventory and cooking supplies you must buy from us are included in this amount.

Note 2: Real Estate and Improvements. Real estate costs vary from location to location, so we cannot estimate your real estate expenditures. First, you must purchase or lease retail space that meets our standards and specifications. If your landlord at your Franchised Location requires us to sign the lease for your Franchised Location, we may hire a professional to negotiate the lease for us and you must reimburse us for the professional's fees or you may hire your own professional subject to including certain provisions in the lease. We include an estimated amount for these fees in the high number. See Item 5. Space requirements for Stores may range from approximately 300 to 650 retail square feet, resulting in cost variances to you. Your costs to improve the Franchised Location will depend in part on whether your space is completely constructed, or is the remodel of an existing space. It will also depend on the size of the space and the type of retail environment in which the Store is located. We assist you in determining which of our four different full-sized Store configurations will suit your Franchised Location. You must hire an architect to design your Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees depend on the condition of the space, its location and local permitting requirements. If your Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. If your Store is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures and Equipment. This item includes the estimated costs to equip your Store with storage cabinets, display cabinets, cooking equipment, storage fixtures, signs, refrigeration equipment, and an integrated Store information system that includes one or two cash registers, scales and modems. Most full-sized Stores require two cash registers.

Note 4: Opening Inventory and Cooking Supplies. Because Stores may range in size from 300 square feet to 650 retail square feet, we do not have a minimum opening inventory requirement. You must maintain a minimum inventory of no less than 1,000 pounds of Factory Candy throughout the term of your Franchise Agreement. In addition, you need cooking supplies consisting of chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh and preserved fruit, flavorings and other items.

Note 5: Security Deposits, Utility Deposits, Business Licenses. Security deposits range from \$0 to two months' rent; utility deposits range from \$0 to approximately \$1,500 and business licenses range from approximately \$50 to \$550, depending on your location.

Note 6: Pre-Opening Training, Travel and Living Expenses. Your travel and living expenses when you attend our initial training program vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program.

Note 7: Additional Funds. This estimates your pre-operational expenses, which are not listed above, as well as additional funds necessary for the first three months of your business operations. These figures are estimates and we cannot guarantee that you will not have additional expenses when you start the business. Your costs depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products; the prevailing wage rate; competition; and the sales level you reach during this initial period. This item includes a variety of expenses and working capital items during your start-up phase, such as legal and accounting fees; training expenses; insurance premiums; advertising, promotional and grand opening expenses and materials; rent; employee salaries; and other miscellaneous costs. This item does not include your salary or living expenses.

Note 8: Total Estimated Investment. We relied on our 22 years experience in the industry and on information voluntarily reported by franchisees when we prepared these figures, but we have not made any independent verification of the information reported by franchisees. You should review these figures carefully with a business advisor before you make any decision to purchase a franchise. We offer no direct financing of the initial franchise fee. See Item 10 of this Offering Circular.

**INITIAL INVESTMENT
FOR KIOSKS OF VARIOUS SIZES
LOCATED IN VARIOUS RETAIL ENVIRONMENTS**

<u>Kiosk Expenditures</u>	<u>Kiosk High</u>	<u>Kiosk Low</u>	<u>When Due</u>	<u>Method of Payment</u>	<u>Whether Refundable</u>	<u>To Whom Payment Must Be Made</u>
Initial Franchise Fee (See Note 1)	\$49,000	\$19,500	\$5,000 at signing of Franchise Agreement, the rest in 120 days or on signing your lease, whichever is earlier	Cash or Check	No	Us
Real Estate and Improvements (See Note 2)	43,000	15,000	Before opening	As incurred	No	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	50,000	15,000	Before opening	As incurred	No	Suppliers
Equipment (See Note 3)	35,000	25,000	Before opening	As incurred	No	Suppliers
Signs	5,000	2,500	Before opening	As incurred	No	Suppliers
Opening Inventory and Cooking Supplies Purchased from Us (See Note 4)	See Note 1	See Note 1	30 days after shipping	Lump sum	No	Us

<u>Kiosk Expenditures</u>	<u>Kiosk High</u>	<u>Kiosk Low</u>	<u>When Due</u>	<u>Method of Payment</u>	<u>Whether Refundable</u>	<u>To Whom Payment Must Be Made</u>
Opening Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	2,500	1,000	10-30 days after shipping	As incurred	No	Suppliers
Security Deposits, Utility Deposits, Business Licenses (See Note 5)	5,000	1,000	Before opening	As incurred	Deposits are refundable; business licenses are not	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 6)	5,000	1,500	Before opening	As incurred	No	Suppliers
Additional Funds - 3 months (See Note 7)	8,000	8,000	As incurred	As incurred	No	Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT FOR KIOSKS (See Note 8)	\$183,000	\$88,500				

Explanatory Notes for Kiosk Chart

Note 1: Initial Franchise Fee. The opening candy inventory and cooking supplies you must buy from us are included in this amount.

Note 2: Real Estate and Improvements. Real estate costs vary from location to location, so we cannot estimate your real estate expenditures. First, you must purchase or lease retail space that meets our standards and specifications. If your landlord at your Franchised Location requires us to sign the lease for your Franchised Location, we may hire a professional to negotiate the lease for us and you must reimburse us for the professional's fees or you may hire your own professional subject to including certain provisions in the lease. We include an estimated amount for these fees in the high number. See Item 5. Space requirements for Kiosk Stores may range from approximately 100 to 260 retail square feet, resulting in cost variances to you. Your costs to improve the Franchised Location will depend in large part on the size of your Kiosk Store and its configuration, including whether your space includes cooking facilities or sells only products that require no preparation. It will also depend on the size of the space and the type of retail environment in which the Kiosk Store is located. We assist you in determining which of our four different Kiosk Store configurations will suit your Franchised Location. You must hire an architect to design your Kiosk Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees will depend on the condition of the space, its location and local permitting requirements. If your Kiosk Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. If your Kiosk Store is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting

in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures and Equipment. This item includes the estimated costs to equip your Kiosk Store with storage cabinets, display cabinets, storage fixtures, signs, refrigeration equipment, and an integrated Store information system that includes one or two cash registers, scales and modems. Most Kiosk Stores require two cash registers. Most Kiosk Stores also require some cooking equipment, which is included in the high number.

Note 4: Opening Inventory and Cooking Supplies. Because Kiosk Stores may range in size from 100 square feet to 260 retail square feet, we do not have a minimum opening inventory requirement. You must maintain a minimum inventory of no less than 1,000 pounds of Factory Candy throughout the term of your Franchise Agreement. In addition, if your Kiosk Store is equipped to cook, you need cooking supplies consisting of chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh and preserved fruit, flavorings and other items, included in the high number.

Note 5: Security Deposits, Utility Deposits, Business Licenses. See Note 5 for full-sized Stores above.

Note 6: Pre-Opening Training, Travel and Living Expenses. See Note 6 for full-sized Stores above.

Note 7: Additional Funds. See Note 7 for full-sized Stores above.

Note 8: Total Estimated Investment. See Note 8 for full-sized Stores above.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your Store in compliance with your Franchise Agreement and the operations manual we loan to you, in the form of several manuals, technical bulletins, cookbooks and other written materials ("**Operations Manual**"), which we may modify occasionally, in our sole discretion. All equipment, services, supplies, materials, uniforms and inventory items that you use or offer for sale through your Store must meet the minimum standards and specifications in our Operations Manual.

You must sell only Factory Candy, Store Candy and Items that we designate. If you want to sell other products, you must first receive our written consent, which we may withhold in our sole discretion. You may not sell any products resembling Factory Candy we manufacture unless you first receive our written consent. In addition, your Store must devote at least 50% of its retail display space to ROCKY MOUNTAIN CHOCOLATE FACTORY bulk chocolates and packaged Factory Candy. The only Store Candy you may sell that we do not supply are those made at your Store that you prepare from recipes found in our Operations Manual through the process of molding, cooking and dipping foods such as cookies, crackers, pretzels, fresh and dried fruit, dog bones and plain chocolates, but you may sell them only if you prepare them according to our recipes and specifications. We will provide you with these recipes and specifications. You may not purchase or manufacture any product such as assorted chocolates or boxed chocolates unless we consent in writing.

You must purchase all of the Factory Candy, ingredients for Store Candy and other Items that you sell at or through your Store from us or a source we designate. If you propose to offer, conduct or utilize any products, services, materials, forms, items or supplies for sale or use in your Store which we have not previously approved as meeting our specifications, you must first notify us in writing requesting our approval. We may, in our sole discretion, and for any reason, withhold our approval. For us to make a determination, you must submit specifications, information, or samples of the proposed products and services. We will advise you within 60 days whether the products or services meet our specifications.

You must purchase all products and services that you require to operate your Store from manufacturers or suppliers we designate. We are the designated supplier of ROCKY MOUNTAIN CHOCOLATE FACTORY branded Factory Candy. First-time franchisees must use one of our designated fixture contractors for the build-out of their Stores and we reserve the right to require experienced franchisees to use a designated contractor as well. If there is no designated supplier for a particular item, you must purchase all products and services from other suppliers who meet all of our specifications and standards. We formulate and modify our specifications and standards based on quality, composition, finish, appearance and service. Suppliers must adequately demonstrate their capacity to supply your needs, in the quantities, at the times and with the reliability requisite to an efficient operation. We may change our standards and specifications, or suppliers who have our authorization, at any time if we give you 30 days written notice in advance.

Our criteria for supplier approval are available to you upon request. We base our approval on quality, vendor reputation, pricing and our opinion about the compatibility of the product with our company image and product line. We may require that samples from a proposed new supplier be delivered to us for testing before we approve the supplier. You must reimburse us for the cost of conducting the test.

We derive revenue from the sale of Factory Candy, Store Candy ingredients, packaging materials, other Items and certain services to you. In the fiscal year ended February 28, 2003, our revenue from purchases from franchisees was \$11,854,800 or 61% of our total revenues of \$19,461,472. See our financial statements in Item 21. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications will range from 80% to 84% of the total cost of establishing your Store and approximately 38% of the total cost of operating your Store after that time. We are not affiliated with any approved or designated suppliers.

Except as described above, we do not derive income based on any required purchases or leases, except that in an effort to make sources or supplies available to you and to monitor and maintain consistency throughout the system, we may negotiate with approved vendors from whom you can purchase items which meet our specifications. We may collect a fee from approved vendors on the items franchisees purchase from our approved vendors. These vendors may sell you various Items, raw materials for the preparation of Store Candy, such as fudge, brittles and caramel, packaging items such as bags and tins, and other items. We estimate that any purchases by you for which we collect a fee will constitute less than 3% of your total cost of establishing your Store and less than 3% of your total cost of operating your Store.

Except as described above, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees, although we reserve the right to do so in the future. We have no purchasing or distribution cooperatives. We do not give you any material benefits based on your use of designated or approved sources or suppliers.

ITEM 9**FRANCHISEE'S OBLIGATIONS**

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THE FRANCHISE AGREEMENT AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Franchise Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	Sections 3.1 and 5.1	Items 7, 8 and 11
(b) Pre-opening purchases/leases	Sections 5.1, 5.3 and 5.4	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	Sections 5.2 and 5.5	Items 7, 8 and 11
(d) Initial and ongoing training	Article 6	Items 6, 7 and 11
(e) Opening	Section 5.6	Item 11
(f) Fees	Articles 11 and 12	Items 5 and 6
(g) Compliance with standards and policies/ Operations Manual	Article 8 and Sections 13.1 and 13.2	Items 8, 11, 14, 15 and 16
(h) Trademarks and proprietary information	Article 14 and Section 20.3	Items 13 and 14
(i) Restrictions on products/services offered	Sections 10.1(d) and 13.4	Items 8 and 16
(j) Warranty and customer service requirements	None	None
(k) Territorial development and sales quotas	None	None
(l) On-going product/service purchases	Sections 13.5, 13.6 and 13.7	Items 8 and 16
(m) Maintenance, appearance and remodeling requirements	Sections 10.1(a), (b) and (g)	Item 8
(n) Insurance	Article 21	Item 7
(o) Advertising	Article 12	Items 6 and 11
(p) Indemnification	Section 19.3	None
(q) Owner's participation/management/ staffing	Sections 10.1(c) and (h)	Item 15
(r) Records and reports	Article 15	Item 6
(s) Inspections/audits	Sections 13.3 and 15.5	Item 6
(t) Transfer	Article 16	Item 17
(u) Renewal	Sections 17.2, 17.3 and 17.4	Item 17
(v) Post-termination obligations	Section 18.4	Item 17
(w) Non-competition covenants	Article 20	Item 17

Obligation	Section in Franchise Agreement	Item in Offering Circular
(x) Dispute Resolution	Article 22	Item 17

ITEM 10**FINANCING**

If a landlord refuses to allow you to sign a lease and instead requires us to sign or guaranty the lease for your Franchised Location, we may sign it, in our discretion. If we become liable under the lease for your Franchised Location, we will either sublease the Franchised Location to you or assign it to you on the same terms and conditions contained in the landlord's lease agreement. Our Sublease Agreement and Assignment and Assumption of Lease are Exhibit G to this Offering Circular. We do not receive any payments when we sign or guaranty a lease for your Franchised Location.

During fiscal year 2004, we may offer some limited financing for build-out expenses to a few of our highly experienced franchisees. Except as stated above, neither we nor any agent or affiliate currently offer, directly or indirectly, any financing to you, nor do we guarantee any lease or other obligations for you. We cannot estimate whether you can obtain financing for any part or all of your investment and, if so, the terms of the financing, which depend on your creditworthiness and other characteristics. We do not have any past or present practice or intention to sell, assign or discount to any third party, any note, contract or other instrument signed by you.

ITEM 11**FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you.

Pre-Opening Assistance.

Before you open your Store, we (or our designee) will:

1. Provide you with written guidelines for the Franchised Location, but you must have an approved location as of the date you sign the Franchise Agreement. We base our approval of a proposed Franchised Location on information you submit and information we gather in a form sufficient to assess the location. (Section 7.1(b), Franchise Agreement.)

2. Provide you with advice regarding the required conversion, design and decoration of the ROCKY MOUNTAIN CHOCOLATE FACTORY Store premises, plus specifications concerning signs, decor and equipment. (Section 7.1(c), Franchise Agreement.)

3. Provide you with advice regarding the selection of suppliers of equipment, supplies and materials used and Factory Candy, Store Candy and Items offered for sale through your ROCKY MOUNTAIN CHOCOLATE FACTORY Store. Depending on the size and configuration of your Store, we will determine your initial purchase of Factory Candy inventory. We provide you with a list of approved suppliers, if any, of equipment, supplies, materials, ingredients for Store Candy and Items, and,

if available, a description of any national or central purchase and supply agreements that approved suppliers offer for the benefit of ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees. (Section 7.1(d), Franchise Agreement.)

4. Train you in Durango, Colorado or at another location we designate. (Section 7.1(a), Franchise Agreement.)

5. Loan you one copy of an Operations Manual, covering the operating and marketing techniques of the Store and all updates and revisions. (Section 8.1, Franchise Agreement.)

6. Provide up to five days of opening assistance, beginning approximately two days before you open a new ROCKY MOUNTAIN CHOCOLATE FACTORY Store, or we provide up to two days of opening assistance if you purchase a Store that was already operating. (Section 7.1(f), Franchise Agreement.)

Continuing Assistance.

During the operation of your Store, we will:

1. If you request, provide consultation by telephone regarding the continued operation and management of your ROCKY MOUNTAIN CHOCOLATE FACTORY Store and advice regarding retail services, product quality control, inventory issues, customer relations and similar advice. (Section 9.1(a), Franchise Agreement.)

2. Give you access to advertising and promotional materials as we may develop, the cost of which we may pass on to you at our option. (Section 9.1(b), Franchise Agreement.)

3. Provide you with on-going updates of information and programs regarding the candy industry, the ROCKY MOUNTAIN CHOCOLATE FACTORY concept and related Licensed Methods, including information about special or new products we develop and make available to our franchisees. (Section 9.1(c), Franchise Agreement.)

4. Train replacement or additional General Managers during the term of the Franchise Agreement. We may charge a tuition or fee, commensurate with our other current published prices, for training and payable in advance. You must pay all travel and living expenses for your personnel during the training program. The availability of the training programs depends on space considerations and prior commitments to new ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees. (Section 9.1(d), Franchise Agreement.)

5. Make our employees or designated agents available to you for advice and assistance regarding the on-going operation of the Store. If you request additional assistance and we agree to provide it, we may charge you for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with the assistance, plus a fee based on the salary of each employee and the time spent by each employee on your behalf. (Section 9.2, Franchise Agreement.)

Marketing and Promotion.

You must pay a Marketing and Promotion Fee of 1% of your monthly Gross Retail Sales. You must pay the Marketing and Promotion Fee with the payment of the monthly Royalty, within 15 days after the end of each calendar month, based on the amount of Gross Retail Sales in the previous month. We deposit the Marketing and Promotion Fee in a bank, commercial account or savings account

("Marketing Fund"). We contribute 1% of the monthly Gross Retail Sales of our Stores to the Marketing Fund. If you request it in writing, we send you an annual unaudited financial statement for the Marketing Fund that indicates how we spent the Marketing Fund. Because we do not have the Fund audited, audited financial statements are not available to franchisees.

We administer the Marketing Fund in our sole discretion. We use the Marketing Fund to create, produce and place point of purchase advertising, in-store signs and in-store promotions. In the future, we may use the Marketing Fund for commercial advertising, agency costs and commissions, to create and produce video, audio, and written advertisements, to administer multi-regional advertising programs, including direct mail and other media advertising and to employ advertising agencies and in-house staff assistance, to support public relations, market research and other advertising and marketing activities. We do not solicit franchisees with the Fund's money.

We may reimburse ourselves from the Marketing Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing Fund and its marketing programs, including conducting market research, preparing material, collecting and accounting for Marketing Fund contributions. In any fiscal year we may spend an amount greater or less than the aggregate contribution of all ROCKY MOUNTAIN CHOCOLATE FACTORY Stores to the Marketing Fund in that year. The Marketing Fund may borrow from us or other lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use. Any amounts that remain in the Marketing Fund at the end of each year accrue and we apply them toward the next year's expenses. We do not guarantee that advertising expenditures from the Marketing Fund benefit you or any other franchisee directly or on a pro rata basis. We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account.

We have used in-house personnel and outside ad agencies in the past to create point-of-purchase advertising and promotions.

You may create your own advertising and promotional materials; however, all of your materials must be in media, of a type and in a format as we approve, must be conducted in a dignified manner and must conform to the standards and requirements we specify. This also applies to all advertising on the Internet. You may not use any advertising or promotional plans or materials, including advertising on the Internet, until you receive our written approval. We approve or disapprove of your proposed advertising within 14 days of the date we receive it.

In fiscal year 2003, we spent 70% of the Fund's proceeds on national marketing, 26% on new products and packaging development and 17% on local store marketing materials. These percentages total 113% because RMCF contributed 13% more than the franchisees contributed to the Fund during fiscal year 2003.

Local Advertising.

We may require you to spend up to 1% of Gross Retail Sales each month on local advertising in addition to the 1% Marketing and Promotion Fee. If we require it, you must give us an accounting of the amounts you spent on local advertising within 30 days following the end of each calendar quarter. If we require you to spend money on local advertising, all company-owned Stores would spend money for local advertising on an equal percentage basis with all franchised Stores. You may purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility. We must approve all final advertising and promotional materials before publication.

Regional Advertising.

We reserve the right to designate geographic areas to establish regional advertising associations ("Associations"). If your Store is within the territory of an existing Association when your Store opens, you must become a member of the Association. If we establish an Association during the term of the Franchise Agreement, you must become a member within 30 days after we establish the Association. If you fail to participate in the Association or pay any Association dues, you breach the Franchise Agreement. We must approve all final advertising and promotion materials before publication. At the request of the Association, you would contribute up to 50% of your 1% Marketing and Promotion Fee described in this Item 11, as would all other franchises in the Association. These funds would be available for specific programs selected by the majority of the Association members and which we have approved in advance. If we form an Association, you will be bound by the decisions of the majority of the members of the Association with respect to expenditures, assessments and dues, to the extent we approve them. Each Association could require its members to make additional minimum contributions to the Association monthly up to the full amount of your Marketing and Promotion Fee. We would approve all advertising materials before they were used by an Association or furnished to its members. The Association would be required to prepare unaudited annual financial statements and send them to you if you request them. An Association would be comprised of franchisees. We can form, change and dissolve Associations. Each Association would operate under written documents which franchisees could view. Either we or the Association could create the Association's advertising, but advertising created by the Association would be required to have our written approval before use. We also reserve the right to establish advertising cooperatives in particular regions to enable the cooperative to self-administer a regional advertising program. If we establish a cooperative, you must participate in it.

See Items 6, 8 and 9 of this Offering Circular for more discussion of advertising.

Operations Manual.

Exhibit F to this Offering Circular are the tables of contents of our Operations Manual. The total number of pages in our Operations Manual as of the date of this Offering Circular is 250.

Site Selection Assistance.

You must select and acquire the premises for your Store. You must not, without our prior written approval, enter into any contract for the purchase or lease of any premises you intend to use as a Franchised Location for your Store. At our option, we may sign the lease or other acquisition document in our name or jointly with you. If this happens, we may sublease or assign the premises to you on the same terms on which we acquired the right to use the premises. Our Sublease Agreement and Assignment and Assumption of Lease are Exhibit H to this Offering Circular. We consider the following factors when we approve or disapprove your proposed Franchised Location: the coordination of the proposed Franchised Location's address with protected territories previously granted to other franchisees operating under the ROCKY MOUNTAIN CHOCOLATE FACTORY Mark, if any, mall character, quality and location and the nature and location of other competition and potential customers. Approval of a location does not infer or guarantee the success or profitability of a Franchised Location in any manner. There is no contractual limit on the time it takes us to approve or disapprove your proposed site. We typically take 30 days to approve or disapprove of your proposed Franchised Location.

Schedule For Opening.

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your Store opens will be between 90 and 180 days. The factors which may affect this time

period are your ability to locate a site, secure financing, and obtain a lease, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment, inventory and supplies, and completing your training. You must open your Store within 180 days after you sign the Franchise Agreement.

Integrated Store Information System.

You must use an integrated store information system ("System") in your Store that you must purchase from AIM Software Systems Incorporated ("AIM"), located at 656 Santa Rosa, Suite 2A, San Luis Obispo, California 93401, (805) 546-2900. As of the date of this Offering Circular, the System consists of an electronic PC based register (either an NCR 7460 cash register or a Dell 510D PC), FTP Store Communication software, PC/Anywhere, a thermal receipt printer, a scale, and a 56K (minimum) modem. At your option, the System may include credit card authorization software, a credit card scanner, a laser bar code scanner, a bar code printer and a Hewlett Packard Deskjet printer. You must dedicate one phone line to the System. You must contract with an Internet service provider ("ISP") to facilitate communication between your System and our data collection server. The System will be delivered to you already configured with proprietary software owned by AIM. AIM will provide all support, updates and maintenance for your System. As of the date of this Offering Circular, AIM charges an annual support fee of between \$1,105 and \$1,972, depending on the System options you have selected. You must purchase a support agreement with AIM. Most Stores require two cash registers. We may require you to upgrade or update your System. No contractual limitation exists on the frequency or cost of this obligation.

The System provides you with detailed information about your inventory, sales, purchasing, receiving, time and attendance, depending on options selected. The System also permits us to receive information electronically regarding your Store's sales. There is no contractual limit on our right to receive information through the System.

In conjunction with the operation of your System, you must use an IBM-compatible personal computer installed with Windows 98 operating system or higher. You will find it is more convenient to send and receive electronic mail messages and depending on options you select, track information generated by the System on a personal computer.

Additional Training Information.

After you sign the Franchise Agreement and before you open your Store, you must complete the initial training program to our satisfaction. We do not charge you for this training for up to three individuals, although you must pay travel, living expenses and wages for you and all employees who attend the training session. The initial training program consists of a total of 7 days of instruction and all training is currently conducted in Durango, Colorado. The training material consists of written, video and audiotaped instruction. The initial training program includes hands-on training in a mock retail store in our training center.

As often as annually, we may require you and/or your General Manager to attend, at your expense, a national, regional or local meeting, seminar or conference that we present for the purpose of discussing a topic such as advertising programs, new operations methods, training, management, sales, or sales promotion, to the extent that we offer any meetings, seminars or conferences.

As of our most recent fiscal year end, we gave the following initial training to franchisees.

Subject ¹	Hours of Classroom Training ²	Instructor
Introduction to Rocky Mountain Chocolate Factory	1.5	VP or Director of Franchise Support
Customer Service Techniques	1	Director of Franchise Support
Factory Candy Identification	1.5 - 2.0	Director of Franchise Support
Chocolate Dipping Technique	2-3	Director of Franchise Support
Cash Register and Scale Operation	2	Director of Franchise Support
Cooking	20	Director of Franchise Support
Design and Construction	0.5	Design & Construction
Employees (responsibilities, opening and closing dates)	1	Director of Franchise Support
Employees (hiring, training, scheduling)	1.5	Director of Franchise Support
Daily Bookkeeping, Month-end Inventory and Other Bookkeeping Methods to Increase Gross Margins	2	Director of Franchise Support
Our Accounting Policies	1	Various Finance Personnel
Our Factory Candy Manufacturers and Shipping	3 (in factory)	Various Factory Department Heads
Our Ordering and Shipping Procedures	1	Customer Service
Authorized and Recommended Outside Suppliers	1	Director of Franchise Support
Merchandising and Marketing Techniques	6.5	Merchandising Manager
Our Philosophy, Franchisor/Franchisee Responsibilities	1	Various members of Management
Integrated Store Information System	3	Various IT Personnel

¹ For each subject, we hold training classes approximately 6 to 12 times per year. You must attend training after you sign the Franchise Agreement and before you open your Store.

² If you wish, you may work in a company-owned Store at your expense to gain experience interacting directly with actual customers. If you live near a company-owned Store, you may spend up to three days in that Store; otherwise you may travel to one of our company-owned Stores at your expense for one day. In addition, many experienced franchisees allow new franchisees to work in their Stores at no charge after the new franchisee has completed the initial training program.

ITEM 12

TERRITORY

You will operate your Store at a specific location that is referred to as the "Franchised Location" in the Franchise Agreement. You may not relocate your Franchised Location without our prior written approval. If you have operated your Store for at least 12 months and you desire to change its Franchised

Location, you may send us a written request explaining your reasons and proposing an alternative location. If we approve an alternative location in writing, you must pay us a Design Fee of \$2,500 (see Item 6), sign our then current form of Franchise Agreement, you may not change the owners or your percentage ownership interests from that of the prior location and you must complete the move and open your new Franchised Location within 12 months from the date the Store at the prior Franchised Location closes.

We must approve a Franchised Location before you sign a Franchise Agreement. The designation of your Franchised Location does not grant you the exclusive right to any particular market or customers. You may advertise your Store anywhere, as long as you receive our prior approval of all advertising. Other ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees have the same rights to advertise. See Item 11 for more discussion of advertising.

We may establish other related franchises or company-owned Stores that sell or lease similar products or services under a different name or trademark. We retain the rights, among others: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of Stores, including Kiosk Stores, Satellite Stores and Temporary Stores, at any location other than at the Franchised Location; (2) to use the Marks and Licensed Methods to identify services and products, promotional and marketing efforts or related items, and to identify products and services similar to those which you will sell, but made available through alternative channels of distribution other than through traditional Stores, at any location other than at the Franchised Location, including, but not limited to, through Satellite Stores, Temporary Stores, Kiosk Stores, by way of mail order, (including electronic mail order), the Internet, catalog, television, retail store display or through the wholesale sale of its products to unrelated retail outlets or to candy distributors or outlets located in stadiums, arenas, airports, turnpike rest stops or supermarkets; and (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to those which you will sell or in connection with the operation of retail stores selling gourmet chocolates or other premium confectionery products, at any location other than at the Franchised Location, which stores are the same as, or similar to, or different from a traditional Store, a Kiosk Store or a Satellite Store or a Temporary Store, on any terms and conditions as we deem advisable, and without granting you any rights in them.

Your continuation of the right to operate the Store during the term of the Franchise Agreement does not depend on achievement of any certain sales volume, market penetration or similar contingency. Although in some instances, we grant a franchisee a right of first refusal on a neighboring or extended territory, you have no option, right of first refusal or similar contractual right to acquire additional Stores within a territory or in areas contiguous to your Store(s).

ITEM 13

TRADEMARKS

We grant you the right to use the Marks, including the trademark and service mark ROCKY MOUNTAIN CHOCOLATE FACTORY, ROCKY MOUNTAIN CHOCOLATE FACTORY and design and other trademarks, service marks and commercial symbols which we may authorize. We have registered the following principal trademarks on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration No.	Date of Registration
Rocky Mountain Chocolate Factory	Reg. No. 1,552,146	August 15, 1989
Rocky Mountain Chocolate Factory and design	Reg. No. 1,718,498	September 22, 1992

We have filed all required affidavits and renewals for these Marks. You must follow our rules when you use the Marks. You may not use the phrase, an abbreviation or two or more of the words "ROCKY MOUNTAIN CHOCOLATE FACTORY" in the legal name of your Business Entity.

You must modify or discontinue your use of a Mark if we require you to modify or discontinue it, at your own expense. We do not allow you to use or register any domain names or use the Internet to market or promote your Store, Factory Candy, Store Candy or other Items sold in or through your Store without our prior written consent. See Items 11 and 16.

There are no presently effective determinations of the United States Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks.

No agreements limit our right to use or license the use of the Marks.

We are not contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition related to your use of the Marks, but it is our policy to do so when, in the opinion of our legal counsel, your right to use the Marks requires protection. In this case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. You must cooperate with us in any litigation.

We do not know of any infringing uses that could materially affect your use of the Marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or copyrights are material to the franchise.

We consider our Operations Manual and related materials to be proprietary and confidential and we consider them to be our property to be used by you only as described in the Franchise Agreement. You must maintain the confidentiality of our information and adopt reasonable procedures to prevent unauthorized disclosure of these secrets and information.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You (or your managing shareholder or partner) are not required to participate personally in the direct operation of your Store although we strongly urge you to do so. If you (or your managing partner

or shareholder) do not participate in the day-to-day operation of the Store, you must designate a manager ("General Manager") to be responsible for the direct on-premises supervision of the Store at all times during its hours of operation. If you are a Business Entity, we do not require that your General Manager own an equity interest in you. You or, if applicable, the General Manager, must successfully complete our mandatory initial training program. You and your managers must enter into a confidentiality and noncompetition agreement with us (Exhibit VI to Franchise Agreement). We make no recommendations and have no requirements regarding employment or other written agreements between you and your employees.

We may require each of your officers, directors, principal shareholders, partners and/or members to sign an agreement (Exhibit III to Franchise Agreement) personally guaranteeing and agreeing to perform all of your obligations under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale through your Store only the Factory Candy, Store Candy and Items that we approve in writing. The authorized vendor list, which is part of our Operations Manual, describes the full line of products identified with the ROCKY MOUNTAIN CHOCOLATE FACTORY System. We may change the types of authorized products and services, and do not limit our right to do so, although we provide you with written notice 30 days before any change becomes effective.

You must devote a minimum of 50% of all retail display space to Factory Candy, or in other words, RMCF-manufactured bulk chocolates and packaged candies. The other edible items we permit you to serve, make and sell through your Store are store-made candies that you prepare from recipes and specifications in the Operations Manual, through the process of molding, cooking and dipping various foods, such as cookies, crackers, pretzels, fresh and dried fruits, dog bones, plain chocolate and other items we approve in writing, in our sole discretion. We refer to these other edible items as "Store Candy" throughout this Offering Circular. All Factory Candy, Store Candy and Items must be sold in containers or bags that we approve.

You must obtain our consent in writing before you operate food carts, participate in food festivals or offer any other type of off-site food services using our Marks and Licensed Methods. See Exhibits H (Satellite Store) and I (Temporary Store) to this Offering Circular.

You must not offer any other type of product or service, or operate or engage in any other type of business or profession, from or through your Franchised Location, including, filling "wholesale orders," which we define in the Franchise Agreement as those orders or sales where the principal purpose of the purchase is for resale, not for consumption, or any sale other than over-the-counter sales at a price other than the price charged to the general public. We permit volume discounted sales made at the Franchised Location to a single purchaser, not for resale, and discounted sales made at the Franchised Location to charitable organizations for fund-raising purposes. You may not offer any Store Candy, Factory Candy or Items for sale on the Internet.

ITEM 17**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Offering Circular.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 17.1	10 years
b. Renewal or extension of the term	Section 17.2	One 10-year term.
c. Requirements for you to renew or extend	Section 17.3	Pay fee, sign new agreement with addendum attached as <u>Exhibit J</u> .
d. Termination by you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Sections 18.1 and 18.2	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined-defaults which can be cured	Sections 18.1 and 18.2	15 days for failure to comply with any provision of Franchise Agreement or Operations Manual.
h. "Cause" defined-defaults which cannot be cured	Section 18.1	Assignment for benefit of creditors, inability to pay debts, bankruptcy,* reorganization, liquidation, dissolution, receivership, certain unreversed judgments, abandonment, material understatement of income, unlawful or deceptive practices, failure to pay fees, etc. to us after 10 days notice.
i. Your obligations on termination/nonrenewal	Section 18.5	Pay outstanding amounts, de-identify Store, transfer telephone number, no use of our trade secrets or proprietary materials, covenant not to compete, sign general release (see also r).
j. Assignment of contract by us	Section 16.6	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 16.1	Includes transfer of at least 25% of stock or assets of Store.
l. Our approval of transfer by you	Section 16.3	We have the right to approve all transfers, our consent not to be unreasonably withheld.
m. Conditions for our approval of transfer	Section 16.2	You must have complied with Franchise Agreement and Operations Manual, transferee must qualify, you must pay all amounts due in full, you must pay transfer fee, transferee must sign the then current contract and you must sign a release.

Provision	Section in Franchise Agreement	Summary
n. Our right of first refusal to acquire your business	Section 16.4	We may match any offer.
o. Our option to purchase your business	Section 18.4	We may offer to buy your Store or just your Store assets.
p. Your death or disability	Section 16.7	Transfer must occur within 120 days.
q. Non-competition covenants during the term of the franchise	Section 20.1	No involvement in competing business.
r. Non-competition covenants after the franchise is terminated or expires	Section 20.2	No involvement in competing business.
s. Modification of the agreement	Section 22.3	No modifications generally but Operations Manual may change.
t. Integration/merger clause	Section 22.4	Only terms of Franchise Agreement are binding (subject to state law).
u. Dispute resolution by arbitration or mediation	None	N/A
v. Choice of forum	Section 22.1	Litigation in LaPlata County, Colorado (subject to state law).
w. Choice of law	Section 22.1	Colorado law applies (subject to state law).

* This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 *et seq.*)

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Ch. 739, Sections 42-133e to 42-133h], DELAWARE [Title 6, Ch. 25, Code Sections 2551-2556], HAWAII [Title 26, Rev. Stat. Section 482E-6], ILLINOIS [ILCS, Ch.815, Sections 705/1-705/44], INDIANA [Code Section 23-2-2.7-1 to 7], IOWA [Title XX, Code Sections 523H.1-523H.17], MARYLAND [MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (1998 Repl. Vol. & Supp. 2001)], MICHIGAN [1979 Comp. Laws, Section 445.1527], MINNESOTA [1996 Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400-407.410, 407.413, 407.420], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codif. L. Section 37-5A-51], VIRGINIA [Code Sections 13.1-557-574], WASHINGTON [Rev. Code Sections 19.100.180, 19.100.190], WISCONSIN [Stat. Sections 135.01 - 135.07], DISTRICT OF COLUMBIA [Code Sections 29-1201 to 29-1208], PUERTO RICO [Ann. Laws, Title 10, Ch. 14, Sections 278-278d], VIRGIN ISLANDS [Code Ann., Title 12A, Ch. 2, Subch. III, Sections 130-139]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

SEE ATTACHED ADDENDUM IMMEDIATELY FOLLOWING ITEM 22 OF THIS OFFERING CIRCULAR FOR INFORMATION REGARDING CALIFORNIA LAW.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19

EARNINGS CLAIMS

CAUTION: WHILE THE ATTACHED FIGURES REPRESENT ACTUAL GROSS SALES OF FRANCHISED STORES DURING OUR MOST RECENT FISCAL YEAR ENDED FEBRUARY 28, 2003, THE FOLLOWING DATA SHOULD NOT BE CONSIDERED AS THE ACTUAL, POTENTIAL OR PROBABLE GROSS SALES THAT WILL BE REALIZED BY YOU OR ANY OTHER FRANCHISEES. WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THESE GROSS SALES LEVELS OR ANY INCOME OR PROFIT THAT COULD RESULT FROM SUCH GROSS SALES. YOUR FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE FIGURES PRESENTED. YOU SHOULD CAREFULLY REVIEW THE ATTACHED EXPLANATORY NOTES.

THE EARNINGS FIGURES DO NOT REFLECT THE COSTS OF SALES OR OPERATING EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. THE BEST SOURCE OF COST AND EXPENSE DATA WILL EVENTUALLY BE FROM FRANCHISEES AND FORMER FRANCHISEES.

THIS FINANCIAL INFORMATION IS PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

FISCAL YEAR 2003 ACTUAL GROSS SALES FOR TOP 75% OF FRANCHISED STORES
OPEN FOR AT LEAST TWELVE MONTHS

Store	Sales	Year Opened	Store	Sales	Year Opened	Store	Sales	Year Opened
1	\$1,477,109	1996	43	\$427,985	1997	85	\$299,472	1996
2	\$678,286	1999	44	\$411,312	2000	86	\$298,477	1995
3	\$667,375	1998	45	\$406,207	2001	87	\$294,710	2001
4	\$656,053	1985	46	\$402,044	2000	88	\$292,353	1997
5	\$620,540	1995	47	\$401,664	2000	89	\$291,446	2002
6	\$617,454	1999	48	\$401,591	1998	90	\$290,229	1999
7	\$613,192	2001	49	\$399,988	2001	91	\$285,106	1983
8	\$608,525	2002	50	\$399,426	1990	92	\$283,086	1993
9	\$593,951	1997	51	\$398,825	1992	93	\$283,029	2001
10	\$583,302	1986	52	\$398,301	2002	94	\$282,662	1998
11	\$583,012	1995	53	\$395,847	1992	95	\$280,614	2001
12	\$569,641	1994	54	\$393,244	1997	96	\$278,685	1997
13	\$563,212	1999	55	\$390,506	1994	97	\$278,012	1992
14	\$550,626	2002	56	\$388,455	1993	98	\$274,476	1995
15	\$545,772	1997	57	\$388,392	1993	99	\$272,257	2000
16	\$543,504	1992	58	\$382,861	1999	100	\$270,427	1982
17	\$537,239	2001	59	\$382,674	1992	101	\$270,369	1987
18	\$530,449	1995	60	\$382,244	2000	102	\$269,465	1982
19	\$527,800	1999	61	\$377,977	2000	103	\$268,439	1994
20	\$518,170	1996	62	\$376,828	1996	104	\$267,953	1999
21	\$516,524	2000	63	\$376,633	2000	105	\$266,812	1999
22	\$506,553	1992	64	\$370,142	1983	106	\$266,270	1998
23	\$500,441	1999	65	\$368,731	2000	107	\$264,899	1995
24	\$489,554	2002	66	\$368,529	2000	108	\$261,678	2000
25	\$489,046	1984	67	\$364,587	1995	109	\$258,120	2001
26	\$487,121	2002	68	\$364,231	1994	110	\$257,460	2000
27	\$483,759	1991	69	\$360,049	1999	111	\$254,126	1999
28	\$483,444	1993	70	\$358,692	2001	112	\$252,798	1997
29	\$480,458	1984	71	\$357,753	1995	113	\$251,450	2000
30	\$469,595	2001	72	\$349,728	2001	114	\$245,676	1984
31	\$452,738	2000	73	\$349,555	2000	115	\$244,628	2002
32	\$451,146	1994	74	\$346,548	2000	116	\$241,691	2002
33	\$446,296	2000	75	\$337,788	1983	117	\$240,391	1996
34	\$443,610	2001	76	\$335,778	1997	118	\$239,976	1995
35	\$439,575	2001	77	\$324,908	2000	119	\$237,414	2000
36	\$438,961	1993	78	\$323,876	2000	120	\$236,784	1995
37	\$434,495	1983	79	\$310,397	2001	121	\$228,170	1999
38	\$434,210	2002	80	\$307,475	1990	122	\$227,284	2001
39	\$433,432	1999	81	\$307,078	1995	123	\$224,238	2002
40	\$429,926	1996	82	\$302,253	1986	124	\$223,942	2000
41	\$429,029	2001	83	\$301,956	2001	125	\$222,457	1998
42	\$428,061	2000	84	\$299,704	2000	126	\$219,604	2002
						127	\$217,242	1995

	No. Of Stores	Combined Annual Gross Retail Sales	Average Annual Gross Retail Sales
Top 25%	42	\$22,753,183	\$541,742
Middle 50%	85	\$26,607,139	\$313,025
Lower 25%	42	\$7,259,643	\$172,849
All Stores	169	\$56,619,964	\$335,029

EXPLANATORY NOTES

1. The information provided above is based on reports of Gross Retail Sales (as defined in the Franchise Agreement) provided by all 169 franchised ROCKY MOUNTAIN CHOCOLATE FACTORY Stores that had been open for at least 12 months as of the end of our most recent fiscal year, February 28, 2003. This information is for the 12 months prior to that date. We have listed the individual Gross Retail Sales for only the top 127 or 75% of the 169 Stores. We included actual gross sales for only the top 75% of franchised Stores because we believe that these results, considered together with the overall average and the average of the lower 25% of franchised Stores, are representative of the results of the franchised Stores overall. The Gross Retail Sales for Stores that we own are not included in this information, but we have included information on any satellite or temporary Stores operated by Franchisees.

2. Of the 42 Stores included in the top 25%, 16 met or exceeded the average Gross Retail Sales of \$541,742. Of the 85 Stores in the middle 50%, 36 met or exceeded the average Gross Retail Sales of \$313,025. Of the 42 Stores in the lower 25%, 25 met or exceeded the average Gross Retail Sales of \$172,849. Of the 169 Stores, 76 met or exceeded the average Gross Retail Sales of \$335,029.

3. Differences in Gross Retail Sales may be attributable to differences in the mix of Factory Candy, Items and Store Candy offered for sale at each Store, which is subject, in part, to the Franchisee's discretion. Other factors that may affect the results among Stores include geographic and demographic characteristics, the type of mall or other location, length of time the Store has been open and the managerial or entrepreneurial abilities of the franchisee and its managers.

4. The above information was prepared from royalty reports provided by each individual franchisee. A franchisee pays us a royalty based on sales. We know of no instance, and have no reason to believe, that any franchisee would overstate its level of sales receipts in its royalty report, however, these results have not been audited and we have not independently verified these results.

5. We do not have access to nor knowledge of the expenses or costs incurred by each of the 169 franchised Stores. The above Gross Retail Sales figures may not necessarily be predictive of any given Store's profitability.

6. This information represents aggregate results of sales reported to us and should not be considered the actual or probable sales, which will be achieved by any individual franchisee. We do not represent that any prospective franchisee can expect to attain these results. A franchisee's results are likely to be lower in its first year of business. We recommend that the prospective franchisee make his or her own independent investigation to determine whether or not a franchise may be profitable. We further recommend that prospective franchisees consult with professional advisors before executing any agreement.

7. Actual results may vary from franchise to franchise and depend on a variety of internal and external factors, many of which neither we nor any prospective franchisee can estimate, such as competition, economic climate, demographics, changing consumer demands and tastes, etc. A franchisee's ability to achieve any level of gross sales or net income will depend on these factors and others, including the franchisee's level of expertise, none of which are within our control. Accordingly, we cannot, and do not, estimate the results of any particular franchise.

Substantiation for this data is available for inspection at our corporate headquarters and will be provided upon the reasonable request of a prospective franchisee.

EXCEPT FOR THE INFORMATION IN THIS ITEM, NO REPRESENTATIONS OR STATEMENTS OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL SALES, COSTS, INCOME OR PROFITS ARE MADE TO FRANCHISEES BY US. WE DO NOT FURNISH OR MAKE, OR AUTHORIZE OUR SALES PERSONNEL TO FURNISH OR MAKE, ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE OR PROSPECTS OR CHANCES OF SUCCESS THAT ANY FRANCHISEE CAN EXPECT OR THAT PRESENT OR PAST FRANCHISEES HAVE HAD, OTHER THAN AS SET FORTH IN THIS ITEM. WE DISCLAIM AND WILL NOT BE BOUND BY ANY UNAUTHORIZED REPRESENTATIONS.

ITEM 20

LIST OF OUTLETS

FRANCHISED BUSINESS STATUS SUMMARY FOR FISCAL YEARS 2003/2002/2001⁽¹⁾

State ⁽³⁾	Transfers	Cancelled or Terminated by RMCF	Not Renewed by RMCF	Reacquired by RMCF	Left the System/ Other	Total from left Columns	Franchisees Operating at Year End
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/1
Arizona	1/0/3	0/0/0	0/0/0	0/0/0	1/0/0	2/0/3	7/6/6
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	0/0/2	1/1/1
California	1/1/3	0/0/0	0/0/0	0/0/0	2/0/1	3/1/4	43/45/39
Colorado	4/0/0	0/0/0	0/0/0	0/0/0	1/0/0	5/0/0	30/22/21
Connecticut	0/2/0	0/0/0	0/0/0	2/0/0	0/0/0	2/2/0	2/2/0
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
Florida	0/0/0	0/0/0	0/0/0	0/0/0	0/2/1	0/2/1	10/8/9
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	3/0/0	3/0/0	3/6/5
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/4
Idaho	1/0/1	0/0/0	0/0/0	0/0/0	1/0/0	2/0/1	3/4/4
Illinois	1/1/0	0/0/0	0/0/0	0/0/0	1/1/0	2/2/0	10/7/5

State ⁽³⁾	Transfers	Cancelled or Terminated by RMCF	Not Renewed by RMCF	Reacquired by RMCF	Left the System/ Other	Total from left Columns	Franchisees Operating at Year End
Indiana	0/1/0	0/0/0	0/0/0	0/0/0	1/0/0	1/1/0	2/3/3
Iowa	0/1/0	0/0/0	0/0/0	1/0/0	0/0/0	1/1/0	1/1/0
Kansas	0/0/1	0/0/0	0/0/0	0/0/0	1/1/0	1/1/1	3/3/4
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	0/0/2	1/1/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	3/2/2
Massachusetts	0/1/0	0/0/0	0/0/0	1/0/0	1/0/0	2/1/0	1/1/0
Michigan	1/1/0	0/0/0	0/0/0	0/0/0	1/0/0	2/1/0	6/5/3
Minnesota	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	4/4/1
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/2/2
Missouri	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0	1/1/0	3/5/6
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1	0/1/1	0/0/2
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/1
Nevada	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	2/2/2
New Hampshire	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	2/2/1
New Jersey	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
New Mexico	0/2/1	0/0/0	0/0/0	0/0/0	1/2/0	1/4/1	5/6/6
New York	0/1/1	0/0/0	0/0/0	0/0/0	2/0/0	2/1/1	3/5/4
North Carolina	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/2/0	2/1/1
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/3/2
Oregon	0/1/0	0/0/0	0/0/0	0/0/0	1/1/0	1/2/0	7/8/7
Pennsylvania	1/0/0	0/0/0	0/0/0	0/0/0	1/0/1	2/0/1	2/3/5
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/3/3
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	4/4/3
Texas	1/1/0	0/0/0	0/0/0	0/0/0	0/2/1	1/3/1	10/10/9
Utah	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	5/5/5
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Washington	0/0/1	0/0/0	0/0/0	0/0/0	1/1/0	1/1/1	7/5/6
West Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Wisconsin	0/1/0	0/0/0	0/0/0	0/0/0	1/0/1	1/1/1	0/1/0
Wyoming	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/0/0
Canada	0/0/0	0/0/0	0/0/0	0/0/0	1/0/2	1/0/2	25/23/27
Guam	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1

State ⁽³⁾	Transfers	Cancelled or Terminated by RMCF	Not Renewed by RMCF	Reacquired by RMCF	Left the System/ Other	Total from left Columns	Franchisees Operating at Year End
Abu Dhabi, UAE	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/1
TOTALS	11/17/12	0/0/0	0/0/0	4/0/0	26/13/14	41/30/26	230/224/208

- (1) All numbers are as of February 28 or 29 for each year.
- (2) The numbers in the "Total" column may exceed the number of Stores affected because several events may have affected the same Store. For example, the same Store may have had multiple owners.
- (3) In April, 1998, we signed a Master Franchise Agreement for the country of Taiwan, but as of our most recent fiscal year end, no Stores were open there. In November 1999, we signed a Master Franchise Agreement for the Gulf Cooperation Council States and Stores opened in the United Arab Emirates in May 2000 and October 2001.

**STATUS OF COMPANY OWNED STORES
FOR FISCAL YEARS 2003/2002/2001**

STATE	STORES CLOSED DURING YEAR	STORES OPENED DURING YEAR	TOTAL STORES OPERATING AT YEAR END
Alabama	0/0/*1	0/0/0	0/0/0
California	0/0/0	0/0/0	0/0/0
Colorado	0/0/*1	0/0/0	4/4/4
Connecticut	0/*2/0	**2/0/0	2/0/2
Florida	0/0/*3	0/0/0	0/0/0
Georgia	0/0/*2	0/0/0	0/0/0
Illinois	0/0/*1	0/0/0	0/0/0
Indiana	0/*1/1	0/0/0	0/0/1
Iowa	0/*1/0	**1/0/0	1/0/1
Kentucky	0/0/0	0/0/0	0/0/0
Maryland	0/0/*2	0/0/0	0/0/0
Massachusetts	0/*1/0	**1/0/0	1/0/1
Michigan	0/*1/0	0/0/0	0/0/1
Minnesota	0/*1/0	0/0/0	0/0/1
Missouri	0/0/0	0/0/0	0/0/0
Nevada	0/0/*1	0/0/0	0/0/0

STATE	STORES CLOSED DURING YEAR	STORES OPENED DURING YEAR	TOTAL STORES OPERATING AT YEAR END
New Hampshire	0/*1/0	0/0/0	0/0/1
New York	0/*2/1	0/**1/0	0/0/1
Ohio	0/0/*2	0/0/0	0/0/0
Oklahoma	0/0/0	0/0/0	0/0/0
Pennsylvania	0/0/*4	0/0/0	0/0/0
South Carolina	0/0/*1	0/0/0	0/0/0
Virginia	0/0/0	0/0/0	0/0/0
Washington	0/0/0	0/0/0	0/0/0
Wisconsin	0/*1/0	0/0/0	0/0/1
TOTALS	0/11/20	4/1/0	8/4/14

* Sold to a franchisee

** Purchased from a franchisee

**PROJECTED OPENINGS
FOR FISCAL YEAR 2004**

STATE	FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPENED	PROJECTED FRANCHISED NEW STORES IN FISCAL YEAR 2004	PROJECTED COMPANY OWNED STORE OPENINGS IN FISCAL YEAR 2004
Arizona	1	1	0
California	3	8	0
Colorado	1	2	0
Florida	2	2	0
Hawaii	1	1	0
Iowa	1	1	0
Minnesota	1	1	0
Missouri	1	2	0
New Jersey	1	2	0
Nebraska	1	1	0
Nevada	1	2	0
Pennsylvania	0	2	0
Tennessee	0	1	0
Texas	3	3	0
Washington	1	1	0
TOTALS	18	30	0

A list of names of all Franchisees and the addresses and telephone numbers of their Stores are listed as Exhibit C to this Offering Circular. A list of the name and last known home address and telephone number of every Franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 2003 and through the date of this Offering Circular or who has not communicated with us within 10 weeks of the date of this Offering Circular is listed on Exhibit D to this Offering Circular.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit E are our balance sheets as of February 28, 2003 and February 29, 2002 and the related statements of operations, stockholders' equity and cash flows for each of the years in the three year period ended February 28, 2003.

ITEM 22

CONTRACTS

Attached to this Offering Circular are the following franchise-related contracts:

- | | |
|-----------|---|
| Exhibit B | Franchise Agreement |
| Exhibit G | Sublease and Assignment Agreements |
| Exhibit H | Addendum to Franchise Agreement – Satellite Stores |
| Exhibit I | Addendum to Franchise Agreement – Temporary Stores |
| Exhibit J | Addenda to Franchise Agreement – Renewal and Transfer |

ITEM 23

RECEIPT

THE LAST PAGE OF THE OFFERING CIRCULAR (FOLLOWING THE EXHIBITS AND ATTACHMENTS) IS A DOCUMENT ACKNOWLEDGING RECEIPT OF THE OFFERING CIRCULAR BY YOU (ONE COPY FOR YOU AND ONE TO BE SIGNED FOR US).

ADDENDUM TO ITEM 3 OF OFFERING CIRCULAR

NOTICE TO ALL PROSPECTIVE ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISEES:

1. Harbor Finance Partners v. Franklin Crail, et al., (No. 99CV3494, Denver Dist. Ct.) On May 26, 1999, one of RMCF's shareholders, individually and on behalf of all other RMCF shareholders similarly situated, filed a class action against RMCF and individual members of RMCF's board of directors, alleging breach of fiduciary duty when the board took certain defensive actions designed to discourage a hostile takeover attempt by Whitman's Candies, Inc. The complaint asked for compensatory damages, plus interest and costs, in an unspecified amount, and for injunctive relief to enjoin defendants from taking action that would have prevented the public stockholders from maximizing the value of their shares. The case was moved to the District Court for La Plata County, Colorado. On December 15, 1999, the court dismissed the case on the grounds that the plaintiffs failed to satisfy the requirements for bringing a derivative action, and the plaintiffs could not bring a direct action. The plaintiffs did not appeal the dismissal of the case.

2. American Environmental Safety Institute v. Mars, Incorporated et al. (No. BC 273433) On May 8, 2002, a California non-profit corporation filed a law suit against RMCF; Mars, Incorporated; Hershey Foods Corporation; Nestle USA, Inc.; Kraft Foods North America; and See's Candies, Inc. in Superior Court for the County of Los Angeles, California. The Complaint was later amended to add more defendants. The lawsuit claims that RMCF and the other defendants are aware that their chocolate products contain cadmium and lead in amounts exceeding the permissible levels under California Proposition 65 and that the defendants have failed to properly warn the public of the potentially hazardous effect of these minerals in chocolate. The complaint demands injunctive relief and money damages including fines exceeding \$5,000,000 plus interest, attorney's fees and other legal costs. On September 28, 2001 the California Attorney General released a statement refusing to prosecute a similar action against chocolate manufacturers on behalf of the State of California and stating that such an action lacked merit. This action is currently in the discovery phase.

Clyde W. Engle, one of our directors, is or has been a party to each of the following litigation matters. We are describing each of these matters to the best of our ability, after due diligence and our own independent investigation to obtain this information. Due to Mr. Engle's inability or unwillingness to provide us with any additional information about his litigation matters, however, we cannot be certain that our descriptions are complete, accurate or that we have included each disclosable matter to which Mr. Engle is or has been a party.

3. Shapo v. Engle, et al. (No. 98 C 7909, N.D. Ill.) On February 23, 1999, the Director of Insurance of the state of Illinois, in his capacity as liquidator ("Liquidator") of Coronet Insurance Company, Crown Casualty Company and National Assurance Indemnity Company (the "Insurance Companies"), filed a Second Amended Complaint against 14 entities and 14 individuals (the "Defendants"), two of whom, Lee Mortenson and Clyde Engle, are directors of RMCF. Mr. Engle has served as president of the Insurance Companies since 1986, though Mr. Mortenson served as President of Coronet Insurance Company during the period 1994 to 1996. The Complaint alleges illegal transfers of more than \$70 million out of the Insurance Companies between 1985 and 1996, to support personal and business interests of the Defendants, rendering the Insurance Companies unable to pay claims made by their policyholders and ultimately resulting in the liquidation of the Insurance Companies. The complaint alleges RICO claims and seeks treble damages. On November 10, 1999, the court denied Mr. Engle's motion to dismiss, but dismissed the Liquidator's claim for declaratory relief against Mr. Mortenson and the other Defendants, except Mr. Engle. On February 11, 2000, the court granted a motion to intervene filed by Springs-Illinois, Inc., a wholly-owned subsidiary of the Insurance Companies. The Court also allowed the Liquidator to amend his complaint to add allegations regarding transactions involving Springs-Illinois, Inc. On June 30, 2000, the Court denied the Liquidator's motion to amend its complaint to add a fraud claim against the Bank of Lincolnwood ("BOL"). Mr. Engle is the Chairman of BOL's

Board of Directors and the majority shareholder of BOL's parent company. On February 28, 2001, the judge granted the plaintiffs' motion to compel the defendants to disclose certain financial information and required Mr. Engle to produce documents relating to transactions entered into between him and certain companies. On May 24, 2001, a magistrate judge granted the Liquidator's follow-up motion to compel further discovery and ordered the defendants to pay the Liquidator's costs and attorneys' fees in bringing the motion. To the best of our knowledge, discovery is ongoing as of the date of this Offering Circular.

4. Robert A. Lee, et al. v. Clyde Wm. Engle, et al. (C.A. No. 13323); and Richard N. Frank v. Clyde Wm. Engle, et al. (C.A. No. 13284). On December 8, 1993, the plaintiffs in the first action filed a complaint in the Court of Chancery of Delaware, New Castle, to initiate a shareholders' derivative suit and class action against Clyde Engle, in his capacity as the Chairman of the Board and Chief Executive Officer of Sunstates Corporation ("Sunstates"), naming the other directors and executive officers of Sunstates, and naming Sunstates as a nominal defendant (the "Frank Action"). The plaintiffs in the second action also filed a complaint in the Court of Chancery to initiate a shareholders' derivative suit against Mr. Engle and the other directors and executive officers of Sunstates on behalf of Sunstates (the "Lee Action"). The Frank Action alleges breaches of fiduciary duty, waste of corporate assets, failure to pay dividends on cumulative preferred stock, and a violation of the duty of disclosure with regard to a proxy statement. The Frank Action seeks injunctive, declaratory, and monetary relief. The Lee Action alleges waste and breach of fiduciary duty, requesting declaratory and monetary relief. The Frank Action and the Lee Action were consolidated into one action, C.A. No. 13323, and also consolidated with other actions involving Sunstates, into a single action for discovery purposes, known as In Re Sunstates Corporation Shareholder Litigation (C.A. No. 13284). On May 2, 2001, the court granted Sunstate's partial summary judgment motion dismissing plaintiff's claim that Sunstate, through its subsidiaries, improperly repurchased Sunstate's preferred and common stock. To the best of our knowledge, as of the date of this Offering Circular, this litigation is ongoing.

5. Securities and Exchange Commission v. Clyde W. Engle (No. 93-CV-2077). On October 7, 1993, the Securities and Exchange Commission filed a complaint in the United States District Court for the District of Columbia against Clyde Engle, who is currently a director of RMCF. The complaint alleged violations of Section 16(a) of the Securities Exchange Act of 1934, Rules 16a-2 and 16a-3 and the requirements of Forms 3, 4 and 5 promulgated thereunder, and asked for payment of civil penalties of \$75,000. On October 13, 1993, Mr. Engle entered into a consent judgment with the SEC, which was entered by the Court on October 13, 1993, in which he (1) neither admitted nor denied the allegations of the complaint; (2) consented to entry of the final judgment; (3) agreed to pay a civil penalty of \$75,000; and (4) waived any right of appeal.

6. Saks and Company d/b/a Saks Fifth Avenue v. Siobhan O'Meara and Clyde Engle. (No. 97 C 829, ND Ill., Feb. 11, 1998). On February 6, 1997, Saks and Company ("Saks") filed a complaint against Siobhan O'Meara and Clyde Engle, as husband and wife, for recovery of amounts due on a Saks Fifth Avenue charge account in the amount of \$116,503 plus finance charges and court costs. Plaintiff alleged that Mr. Engle was liable on this account solely by operation of the Illinois Family Expense Act. Mr. Engle counterclaimed against Saks claiming some of the charges on the account were for business expenses and for libel, alleging that Saks submitted false information to one or more credit services. The court granted Saks' motion for summary judgment against Ms. O'Meara but denied Saks' motion for summary judgment against Mr. Engle. On February 25, 1998, the court dismissed the case with leave to reinstate on or before April 13, 1998 and stated that if the case was not reinstated by that date, the dismissal would be with prejudice. To the best of RMCF's knowledge, the case was not reinstated and the claims between Saks and Mr. Engle were most likely settled, however, there is no public record of the terms of any settlement agreement, so RMCF does not know whether or how much Mr. Engle may have paid to settle this case.

(6/1/03)

ADDENDUM TO THE
ROCKY MOUNTAIN CHOCOLATE FACTORY
OFFERING CIRCULAR FOR THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

1. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Neither the Franchisor, any person or franchise broker in Item 2 of the Offering Circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7505
(866) 275-2677

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205
(866) 275-2677

1350 Front Street
San Diego, CA 92101
(619) 525-4044
(866) 275-2677

1390 Market Street
San Francisco, CA 94102
(415) 557-3787
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
227 N. Bronough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Hawaii

Department of Commerce and
Consumer Affairs
1010 Richards Street
Honolulu, HI 96813
(808) 548-2021

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Michigan Department of Attorney
General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, MI 48913
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Registration and Licensing
Division
85 7th Place East, Suite 500
St. Paul, MN 55101
(612) 296-6328

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

New York State Department of Law
Bureau of Investor Protection and
Securities
120 Broadway, 23rd Floor
New York, NY 10271
(212) 416-8211

North Dakota

Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, ND 58505
(701) 328-2910

Oregon

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Department of Business Regulation
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
(401) 222-3048

South Dakota

South Dakota Department of
Commerce
and Consumer Regulation
Division of Securities
c/o 118 West Capitol
Pierre, SD 57501
(605) 773-4013

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 1st Floor
Richmond, VA 23219
(804) 371-9672

Washington

Securities Administrator
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

LIST OF AGENTS FOR SERVICE OF PROCESS

California

California Commissioner of
Corporations
California Dept. of Corporations
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505
(866) 275-2677

Hawaii

Director of Commerce and
Consumer Affairs
1010 Richards Street
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2744

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Michigan Department of
Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

Minnesota

Minnesota Commissioner of
Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(612) 296-4026

New York

Secretary of State of the State of
New York
41 State Street
Albany, New York 12231
(518) 473-2492

North Dakota

North Dakota Securities
Commissioner
State Capitol
Bismarck, North Dakota 58505
(701) 328-2910

Oregon

Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, Oregon 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

South Dakota

Director of South Dakota Division of
Securities
118 West Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

Virginia

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9672

Washington

Securities Administrator
Washington State Department of
Financial Institutions
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

Wisconsin

Wisconsin Commissioner of
Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT B

FRANCHISE AGREEMENT

S00872

EXHIBIT C

LIST OF FRANCHISEES

S00919

LIST OF FRANCHISEES
As of February 28, 2003

Arizona

Chuck and Sandy Craig, 3240 Gateway Blvd, Suite 206, Prescott, AZ 86303-, (928) 778-9644
 Blake and Jennifer Rolley, 276 North Highway 89A, Suite F, Sedona, AZ 86336-, (928) 282-3383
 Michael" Moose" and Katrina Watson, 2700 Woodlands Village Blvd., Ste 320, Flagstaff, AZ 86001-, (928) 779-3538
 Ron and Mari Griffin, 7014 Camelback Road, Suite 2200, Scottsdale, AZ 85251-, (480) 970-1707
 Lon and Ruth Briggs, 21001 N. Tatum Blvd., Suite 36-1230, Phoenix, AZ 85050-, (480) 342-9993
 Lon and Ruth Briggs, 4250 Antham Way, Suite 485, Phoenix, AZ 85027-, (623) 465-9716
 Thomas and Yvonne Mannion, 5000 Arizona Mills Circle #454, Tempe, AZ 85282-, (480) 756-7366

Arkansas

Dave and Jeanie Lovejoy, 5 Spring St., Eureka Springs, AR 72632-, (479) 253-6597

California

Kara and Chad Felberg, 4480 Camino de la Plaza, Ste B, San Ysidro, CA 92173-, (619) 690-6024
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 Dan Terzian, 1751 Hwy. 237, Anderson, CA 96007-, (530) 365-5185 - **530-223 3297 -**
 Gordon and Stephanie Kusayanagi, 8155-6 Arroyo Circle, Gilroy, CA 95020-, (408) 842-4666
 Robert and Bobbie McFall, 24303 Town Center Dr., Suite 130, Valencia, CA 91355-, (661) 291-1133
 Craig and Kim Turner, 740 Ventura Blvd., Ste. 506, Camarillo, CA 93010-, (805) 445-1150
 Hal and Vicki Heinemann, 1655 Copenhagen Dr., Solvang, CA 93463-, (805) 688-8823
 Hal and Vicki Heinemann, 333 Five Cities Dr., Pismo Beach, CA 93449-, (805) 773-2149.
 Ryan and Rachael Sproles, 1815 Hawthorne Blvd., #210, Redondo Beach, CA 90278-, (310) 214-1585
 Tony and Sheila Lukas, 2200 Petaluma Blvd. N., #410, Petaluma, CA 94952-, (707) 778-2120
 James and Diane Gorman, 17600 Collier Ave., Suite H-180, Lake Elsinore, CA 92530-, (909) 245-1396
 Steve and Maxine Daniel, 419 Shoreline Village Dr., Suite F, Long Beach, CA 90802-, (562) 436-5901
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 Terri Vollmer, 65 Jefferson, San Francisco, CA 94133-, (415) 982-0611
 Dan and Teri Honsowetz, 1413 Horizon Drive, Tulare, CA 93274-, (559) 687-1081
 Will and Ginny Glaser, 20 City Blvd. West Bldg A, Orange, CA 92868-, (714) 385-1777
 Mike and Carol Madvig, 927 Broxton Avenue, Westwood, CA 90024-, (310) 824-5601
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 Susy Bonar, 172 N. College Ave., Space A-2, Ft. Collins, CO 80524-, (970) 494-0473
 Hal and Vicki Heinemann, 1300 Pearl Street, Boulder, CO 80302-, (303) 444-8455
 Rick and Gail Marion, 140 Ida Belle Road, Keystone, CO 80435-, (970) 262-9184

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 Roberta and Klaus Wuttke, 135 2nd Street, Lewes, DE 19958-, (302) 645-5528

Florida

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Frank Guisto, 10801 Corkscrew Road, Suite 189, Estero, FL 33928-, (941) 949-0455
Hal and Vicki Heinemann, 2223 North West Shore Blvd., #B-225, Tampa, FL 33607-, (813) 351-8008
Diane and Glen Cook, 302 Southgate Plaza, Sarasota, FL 34239-, (941) 906-7570
Bryan Almon, 500 Belz Outlet Blvd., Space #290, St. Augustine, FL 32095-, (904) 827-1545

Georgia

David Baker, 1000 Tanger Dr., Suite 103, Locust Grove, GA 30248-, (770) 914-0464
Jerry and Janice Hyder, 1001 Market St., Ste. 32A, Dalton, GA 30720-, (706) 275-4488
Jim and Eileen Humphlett, 1 Magnolia Bluff Way, Space 290, Darien, GA 31305-, (912) 437-2968
David Baker, 800 Steven B. Tanger Blvd., Ste. 205, Commerce, GA 30529-, (706) 335-7973
Jerry and Janice Hyder, 455 Bellwood Rd. Suite 76, Calhoun, GA 30701-, (706) 602-0200

Hawaii

Greg and Cathy Clark, 94-790 Lumiaina St. Suite 110, Waipahu (Oahu), HI 96797-, (808) 676-0772
Greg and Cathy Clark, 650 Iwilei Road, 2nd Floor, Honolulu, HI 96817-, (808) 262-5525
Greg and Cathy Clark, 1 Aloha Towers Drive Space 245, Mailbox 81, Honolulu, HI 96813-,
(808) 545-4443

Idaho

Tim and Sharon Phillips, 6854 S. Eisenman Rd., Boise, ID 83705-, (208) 344-7779
Julie Gardner, 460 Sun Valley Road, Ketchum, ID 83340-, (208) 726-3724
Bill and Barbara Miller, 4201 Riverbend Ave., Post Falls, ID 83854-, (208) 773-6710

Illinois

Chuck and Ann Henle, 207 South Main St., Galena, IL 61036-, (815) 777-3200
Jim and Geri Pstrzoch; Gerald and Barbara Luka, 156 North York Road, Elmhurst, IL 60126-,
(630) 834-2005
Craig, Tania, Jim & Shirley Sprague, 4700 No. University St., Suite 21, Peoria, IL 61614-, (309) 693-7623
Michael Cerroni, 7200 Harrison Ave., Suite F-28, Rockford, IL 61112-, (815) 332-4671
Pamela and Thomas Lockowitz, 541 Milwaukee Avenue, Libertyville, IL 60048-, (847) 367-6703
Donald and Victoria Wiencek, 512 Orland Square, #E-03, Orland Park, IL 60462-, (708) 349-2063
Norbert and Elaine Tremko, 300 Happ Rd., Northfield, IL 60093-, (847) 446-5001
Bruce and Jean Kuhn, 50-B LaGrange Road, LaGrange, IL 60525-, (708) 352-6487
Andy and Alene Gnyp, 1011 S. Line Rd., Space C-6, Tuscola, IL 61953-, (217) 253-5874
Robin Martin, 22 E. Chicago St., Suite 109, Naperville, IL 60540-, (630) 717-8878

Indiana

Mark Berry and Mike Self, 28 Monument Circle, Indianapolis, IN 46204-, (317) 687-1322
Andy and Alene Gnyp, 3025 Outlet Dr., Space E85, Edinburgh, IN 46124-, (812) 526-8227

Kansas

Troy and Stacy Barragree, 2132 North Rock Rd., Suite 112, Wichita, KS 67206-, (316) 630-8200
Troy and Stacy Barragree, 601 S.E. 36th St. #137, Newton, KS 67114-, (316) 282-8599
Dan McDonough, 20377 West 151 St., Olathe, KS 66061-, (913) 397-6100

Kentucky

Peter and JoAnn Ehrlich, 4049 Summit Plaza, Bldg. 15, Sp. G4, Louisville, KY 40241-, (502) 326-1628

Louisiana

Tommy Gray, 4436 Veterans Blvd., Suite C-12, Metairie, LA 70006-, (504) 888-7787

Maryland

Robert and Diana Greeno, 435 Outlet Center Drive, Queenstown, MD 21658-, 410-827-4922
Bob and Diana Greeno, 7000 Arundel Mills Circle, #203, Hanover, MD 21076-, (443) 755-8780
Bob and Diana Greeno and Bob Greeno, Jr., 10300 Little Patuxent Pkwy, #2605, Columbia, MD 21044
(410) 884-9195

Michigan

Andy and Alene Gnyp, 14600 Lakeside Circle, Sterling Heights, MI 48313-, (586) 566-7877
Daniel and Amy Hermen, 2121 Celebration Way NE, Suite 350, Grand Rapids, MI 49525-, (616) 361-9323
Rick Jackson and Jim Aman, 8825 Marketplace Drive, Suite 425, Birch Run, MI 48415-, (989) 624-4784
Alan Rosen and Phyllis Indianer, 2800 W. Big Beaver Rd., Space N-124, Troy, MI 48084-1454,
(248) 816-1454
Alan Rosen and Phyllis Indianer, 6911 Orchard Lake Road, West Bloomfield, MI 48322-, (248) 851-6100
Andy and Alene Gnyp, 4058 Baldwin Road Space 230, Auburn Hills, MI 48326-, (248) 332-9772

Minnesota

Michael and Debbie Bolen, 395 S. Lake Ave., Suite 4, Duluth, MN 55802-, (218) 722-1700
Scott and Kristine Kieland, 7455 Currell Blvd., Suite 111, Woodbury, MN 55125-, (651) 209-6340
Stan and Kathleen Evavold, 7888 Main Street North, Sp. 1407, Maple Grove, MN 55369-, (763) 773-7623
Gail Stein, 128 East Broadway, Bloomington, MN 55425-, (952) 858-8826

Mississippi

Dave and Jeanie Lovejoy, 13118 Highway 61N, #306, Robinsonville, MS 38664-, (662) 357-0110
David Baker, 10770 Factory Shop Blvd., Space 770, Gulfport, MS 39503-, (228) 868-9111

Missouri

James and Jeanette Modic, 4540 Hwy 54, M7, Osage Beach, MO 65049-, (573) 348-0880
David Baker, 1000 Outlet Center Drive, Suite 16, Warrenton, MO 63383-, (636) 456-2964
David Baker, 2825 S. Glenstone T-8, Springfield, MO 65804-, (417) 882-5665
Bill Marron, 30 W. Pershing, Suite 130, Kansas City, MO 64108-, (816) 421-2571
Bill Marron, 1304 W. Old Hwy. 40, Space E10, Odessa, MO 64076-, (816) 230-1545

Nebraska

Mike and Carol Woodman, 5043 2nd Ave., Suite 31, Kearney, NE 68847-, (308) 238-9133
Ty and Joy Behnke, 3001 S. 144th St., Suite 1053, Omaha, NE 68144-, (402) 691-0391

Nevada

Susan O'Leary, 7400 Las Vegas Blvd. South, Space 24, Las Vegas, NV 89123-, (702) 361-7553
Michael Archiletti, 1955 South Casino Dr., Suite 338, Laughlin, NV 89029-, (702) 298-3610

New Hampshire

Tom and Cynthia Ehmett, 1699 White Mountain Hwy, North Conway, NH 03860-1735, (603) 356-4838
Jim Aman, 120 Laconia Road, Suite 200, Tilton, NH 03276-, (603) 286-7663

New Jersey

Shel Samuelson, 55 Liberty Village, Flemington, NJ 08822-, (908) 806-7572
James and JoCarol Raymond, 651 Kapkowski, Space #2050, Elizabeth, NJ 07201-, (908) 820-9202

New Mexico

Wendel and Merle Clark, 108 Coronado Center, Albuquerque, NM 87110-, (505) 888-3399
Tracy and Georgann Garrett, 112 South Plaza, Taos, NM 87571-, (505) 758-8855
Enrique Wintergerst, 303 Romero NW, Ste 112, Albuquerque, NM 87104-, (505) 842-8883
Wendel and Merle Clark, 8380 Carillos Rd., #210, Santa Fe, NM 87505-, (505) 473-3900
Wendel and Merle Clark, 10000 Coors, Suite B5, Albuquerque, NM 87114-, (505) 792-0425

New York

Lyle and Celeste Dynski-Trumble, 655 Route 318, Waterloo, NY 13165-, (315) 539-0614
James and JoCarol Raymond, 2681 Palisades Center Drive, West Nyack, NY 10994-, (845) 353-1550
Michael and Shirley Luongo, 125 Chambers Street, New York, NY 10007-, (212) 349-7553

North Carolina

Alan and Jeanne Lassiter, 8030 Renaissance Pkwy, Suite 935, Durham, NC 27713-, (919) 361-4322
Andy and Alene Gnyp, 8111 Concord Mills Blvd., Suite 424, Concord, NC 28027-, (704) 979-1044

Ohio

Ed and Becci Bartolomeo, 9909 Avon Lake Road, #335, Burbank, OH 44214-, (330) 948-9953
Rick Jackson and Jim Aman, 661 Forest Fair Drive, #123, Cincinnati, OH 45240-, (513) 671-3112
Ed and Becci Bartolomeo, 1500 Polaris Pkwy, Suite 2022, Columbus, OH 43240-, (614) 885-0577
Ed and Becci Bartolomeo, 8205 Factory Shops Blvd., Jeffersonville, OH 43128-, (740) 948-9174

Oregon

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Jeff Compton and Renee Hallesy, 33 E. Main St., Ashland, OR 97520-, (541) 482-6757
Cynthia Sandusky, 3251 S. W. Hwy., Suite 101, Lincoln City, OR 97367-, (541) 994-6440
Brad and Julie Saxton, 61304 S. Hwy 97, Bend, OR 97702-, (541) 383-1718
Michelle Haage, Charlie & Jeanie O'Neal, 1402 Jantzen Beach Center, Portland, OR 97217-,
(503) 286-0171
Kevin Hepner, 1001 Arney Road, Suite 409, Woodburn, OR 97071-, (503) 981-0008
Josh and Ken Rushane, 1111 N. Roosevelt, Suite 320, Seaside, OR 97138-, (503) 738-2125

Carrie Lanig, R. & C. LeBeau, R. & H. Little, 401 Center Street NE, Suite 285, Salem, OR 97301-,
(503) 371-8400

Pennsylvania

Tony Sarno, 1000 Rt. 611, Suite B-39, Tannersville, PA 18372-, (570) 688-4058
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South Carolina

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David Baker, 660 Factory Shops Blvd., Gaffney, SC 29341-, (864) 902-0000
Michael and Shirley Luongo, 1306 Celebrity Circle, 163-B, Myrtle Beach, SC 29577-, (843) 626-3239

Tennessee

Dave and Jeanie Lovejoy, 150 Peabody Place, Memphis, TN 38103-, (901) 526-5050
Andy and Alene Gnyp, 280 Outlet Village Blvd., Lebanon, TN 37090-, (615) 443-5330
Andy and Alene Gnyp, 1000 Two Mile Parkway M2, Ste 1685, Goodlettsville, TN 37072-, (615) 851-1239
Andy and Alene Gnyp, 348 Opry Mills Drive, Nashville, TN 37214-, (615) 514-1339

Texas

Marshall Morton, 301 Tanger Dr. , Suite 201, Terrell, TX 75160-, (972) 563-9999
David and Illuminda Ott, 4015 I-35 South, Suite 835, San Marcos, TX 78666-, (512) 392-9780
Lyle Roberts, 2301 Strand, Galveston, TX 77550-, (409) 762-4340
Food Brand, 5000 Katy Mills Circle Suite 515, Katy, TX 77494-, (281) 644-3663 ext. 231
Jim and Susan Manns, 207 Losoya, #102, San Antonio, TX 78205-, (210) 227-2626
Wendel Clark, 6002 Slide Rd., Space B-16, Lubbock, TX 79414-, (806) 784-0589
Sharon and Paul Zaidins, 3000 Grapevine Mills Pkwy, Ste. 258, Grapevine, TX 76051-, (972) 724-6868
Holly Williams Harris, 104 IH 35, NE, Suite 176, Hillsboro, TX 76645-, (254) 582-0246
Scott and Shanna Berry, 11200 Lakeline Mall Drive, Space EU2, Cedar Park, TX 78613-, (512) 401-2422
Robert Hawkins, 4321 IH-35 North, Suite 390, Gainesville, TX 76240-, (940) 665-7311

Utah

Bill and Shaunna Durante, 250 N.Red Cliff Drive, Space 20, St. George, UT 84770-, (435) 652-4327
Chip and Kathy Pederson, 1385 Lowell Ave., Park City, UT 84060-, (435) 649-2235
Chip and Kathy Pederson, 158 So. Rio Gand St., MB 111, Salt Lake City, UT 84101-, (801) 456-0684
Chip and Kathy Pederson, 602 E. 500 South, Salt Lake City, UT 84102-, (801) 532-8022
Chip and Kathy Pederson, 510 Main Street, Park City, UT 84060-, (435) 649-0997

Virginia

Michael Deverell, 5715-57 Richmond Road, Williamsburg, VA 23188-, (757) 229-7947
Kevin and Lisa Christensen, 2700 Potomac Mills Circle, #163, Woodbridge, VA 22192-, (703) 491-5800

Washington

Ken and Sandi Fein, 1401 4th Avenue, Seattle, WA 98101-,
Phil and Laura McCrory, 561 S. Fork Ave. SW, Ste. H, North Bend, WA 98045-, (425) 831-1818
Ken and Sandi Fein, 393 Columbia Center, Kennewick, WA 99336-, (509) 735-7187

Ken and Cindi Rushane, 444 Fashion Way, Burlington, WA 98233-, (360) 757-2577
Kenneth and Morey Grosse, 636 Front Street, Leavenworth, WA 98826-, (509) 548-6525
Ken and Sandi Fein, 401 NE Northgate Way, Suite 2020, Seattle, WA 98125-, (206) 361-0222
Ken and Sandi Fein, 1419 First Ave., Seattle, WA 98101-, (206) 262-9581

West Virginia

David Durbin, 1 Snowshoe Drive, Snowshoe, WV 26209-, (304) 572-1289

(6/1/03)

EXHIBIT D

FRANCHISEES WHO HAVE LEFT THE SYSTEM

S00927

FRANCHISEES WHO HAVE LEFT THE SYSTEM
As of April 30, 2003

ARIZONA

Carl Novick, 3094 W. Autumn Breeze Dr., Tucson, AZ 85742- (520) 229-0002

CALIFORNIA

Peter and Jean Lin, 76 West Arthur, Arcadia, CA 91007- (626) 447-1572

GEORGIA

David Baker, 2394 Lake Villas Lane, Duluth, GA 30097 (770) 841-4138 (21 stores closed in Alabama, Connecticut, Georgia, Illinois, Indiana, Iowa, Massachusetts, Mississippi, Missouri, New York, Pennsylvania, South Carolina and Wisconsin)

NEW MEXICO

Alexis K. Girard and Greer Enterprises, Inc., 532 Camino Militar, Santa Fe, NM 87501- (505) 983-6504

OREGON

Michelle Haage, Charlie & Jeanie O'Neal, 1411 NE Greenway, Gresham, OR 97030- (503) 492-6424

WASHINGTON

Ken and Sandi Fein, 1731 Beam Road, Granger, WA 98932- (509) 854-1413

EXHIBIT E

FINANCIAL STATEMENTS

S00929

EXHIBIT H

ADDENDUM TO FRANCHISE AGREEMENT – SATELLITE STORE

S00930

IN WITNESS WHEREOF, the parties hereto have executed this Conditional Assignment on the day and year first above written.

ASSIGNOR:

By: _____

Name: _____

Its: _____

ASSIGNEE:

**ROCKY MOUNTAIN CHOCOLATE
FACTORY, INC.**

By: _____

Name: _____

Its: _____

LANDLORD:

By: _____

Name: _____

Its: _____

(6/1/03)

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Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Rocky Mountain Chocolate Factory, Inc.

We have audited the accompanying balance sheets of Rocky Mountain Chocolate Factory, Inc. as of February 28, 2003 and 2002, and the related statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended February 28, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Chocolate Factory, Inc. as of February 28, 2003 and 2002 and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", on March 1 2002.

GRANT THORNTON LLP

Dallas, Texas
April 18, 2003

S00933

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
STATEMENTS OF INCOME

	FOR THE YEARS ENDED FEBRUARY 28,		
	2003	2002	2001
Revenues			
Sales	\$15,304,365	\$15,224,065	\$18,982,948
Franchise and royalty fees	4,157,107	4,215,012	3,588,889
Total revenues	19,461,472	19,439,077	22,571,837
Costs and Expenses			
Cost of sales	9,996,592	9,612,712	10,190,091
Franchise costs	1,245,778	1,286,595	1,123,506
Sales & marketing	1,441,111	1,293,309	1,170,636
General and administrative	1,967,117	2,096,356	2,090,579
Retail operating	832,591	875,190	3,742,140
Depreciation and amortization	815,279	905,227	1,149,590
Provision for loss on accounts and notes-receivable and related foreclosure costs	1,666,524	-	-
Total costs and expenses	17,964,992	16,069,389	19,466,542
Operating Income	1,496,480	3,369,688	3,105,295
Other Income (Expense)			
Interest expense	(297,344)	(437,339)	(660,620)
Interest income	171,197	275,593	94,298
Other, net	(126,147)	(161,746)	(566,322)
Income Before Income Taxes	1,370,333	3,207,942	2,538,973
Income Tax Expense	517,985	1,212,600	982,585
Net Income	\$ 852,348	\$ 1,995,342	\$ 1,556,388
Basic Earnings per Common Share	\$.34	\$.81	\$.58
Diluted Earnings per Common Share	\$.32	\$.76	\$.57
Weighted Average Common Shares Outstanding	2,495,417	2,473,268	2,701,433
Dilutive Effect of Employee Stock Options	209,939	163,120	7,224
Weighted Average Common Shares Outstanding, Assuming Dilution	2,705,356	2,636,388	2,708,657

The accompanying notes are an integral part of these statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
BALANCE SHEETS

AS OF FEBRUARY 28
2003 2002

Assets		
Current Assets		
Cash and cash equivalents	\$ 1,282,972	\$ 165,472
Accounts receivable, less allowance for doubtful accounts of \$65,117 and \$73,269	2,021,391	2,724,907
Notes receivable	288,100	561,829
Refundable income taxes	548,490	-
Inventories	3,062,135	3,127,090
Deferred income taxes	174,616	138,591
Other	276,002	313,943
Total current assets	7,653,706	7,031,832
Property and Equipment, Net	5,618,239	5,983,906
Other Assets		
Notes receivable, less valuation allowance of \$49,446 and \$225,689	801,309	2,353,355
Goodwill, net	1,039,872	797,789
Intangible assets, net	557,167	568,602
Assets held for sale	373,525	-
Other	40,428	59,907
Total other assets	2,812,301	3,779,653
Total assets	\$16,084,246	\$16,795,391
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 1,218,400	\$ 1,188,300
Accounts payable	612,770	667,419
Accrued salaries and wages	678,223	881,451
Other accrued expenses	363,192	354,912
Total current liabilities	2,872,585	3,092,082
Long-Term Debt, Less Current Maturities	3,072,798	4,324,746
Deferred Gain on Sale of Assets	15,657	389,302
Deferred Income Taxes	232,215	168,464
Commitments and Contingencies	-	-
Stockholders' Equity		
Common stock, \$.03 par value; 7,250,000 shares authorized; 2,500,123 and 2,474,640 shares issued and outstanding	75,004	74,239
Additional paid-in capital	2,721,433	2,544,351
Retained earnings	7,094,554	6,242,206
Less notes receivable from officers and directors	-	(39,999)
Total stockholders' equity	9,890,991	8,820,797
Total liabilities and stockholders' equity	\$16,084,246	\$16,795,391

The accompanying notes are an integral part of these statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	FOR THE YEARS ENDED FEBRUARY 28,		
	2003	2002	2001
Common Stock			
Balance at beginning of year	\$ 74,239	\$ 76,931	\$ 95,475
Repurchase and retirement of common stock	-	(3,701)	(19,744)
Issuance of common stock	5	6	480
Exercise of stock options	760	1,003	720
Balance at end of year	75,004	74,239	76,931
Notes Receivable From Officers and Directors			
Balance at beginning of year	(39,999)	(168,747)	(208,746)
Reduction of notes	39,999	128,748	39,999
Balance at end of year	-	(39,999)	(168,747)
Additional Paid-In Capital			
Balance at beginning of year	2,544,351	2,907,379	5,855,884
Repurchase and retirement of common stock	-	(621,840)	(3,060,555)
Costs related to stock split	(15,278)	-	-
Issuance of common stock	1,263	1,078	49,520
Exercise of stock options	124,504	235,247	62,530
Tax benefit from employee stock transactions	66,593	22,487	-
Balance at end of year	2,721,433	2,544,351	2,907,379
Retained Earnings			
Balance at beginning of year	6,242,206	4,246,864	2,690,476
Net income	852,348	1,995,342	1,556,388
Balance at end of year	7,094,554	6,242,206	4,246,864
Total Stockholders' Equity	\$9,890,991	\$8,820,797	\$7,062,427
Common Shares			
Balance at beginning of year	2,474,640	2,564,379	3,182,505
Repurchase and retirement of common stock	-	(123,355)	(658,126)
Issuance of common stock	150	200	16,000
Exercise of stock options and other	25,333	33,416	24,000
Balance at end of year	2,500,123	2,474,640	2,564,379

The accompanying notes are an integral part of these statements.

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ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED FEBRUARY 28,		
	2003	2002	2001
Cash Flows From Operating Activities:			
Net income	\$ 852,348	\$1,995,342	\$ 1,556,388
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	815,279	905,227	1,149,590
Provision for loss on accounts and notes receivable and related foreclosure costs	1,754,524	162,046	125,202
Provision for inventory loss	37,000	162,000	268,500
(Gain) loss on sale of assets	2,209	(138,824)	(29,875)
Changes in operating assets and liabilities:			
Accounts receivable	342,967	(887,947)	(308,785)
Refundable income taxes	(548,490)	37,574	39,115
Inventories	91,535	(603,779)	(116,386)
Other assets	37,941	(43,229)	(182,929)
Accounts payable	(54,649)	(397,791)	9,300
Income taxes payable	(49,943)	139,023	(120,463)
Deferred income taxes	27,726	11,794	145,281
Accrued liabilities	(334,347)	(75,608)	(8,649)
Net cash provided by operating activities	2,974,100	1,265,828	2,526,289
Cash Flows From Investing Activities:			
Additions to notes receivable	(1,033,097)	(659,258)	(173,581)
Proceeds received on notes receivable	530,043	195,494	129,163
Proceeds from sale of assets	13,940	382,018	1,495,670
Purchase of other assets	(11,578)	(231,228)	(199,523)
Purchase of property and equipment	(285,313)	(724,130)	(466,448)
Net cash provided by (used in) investing activities	(786,005)	(1,037,104)	785,281
Cash Flows From Financing Activities:			
Net change in line of credit	-	(550,000)	475,000
Proceeds from long-term debt	-	6,077,827	1,232,247
Payments on long-term debt	(1,221,848)	(5,418,921)	(2,082,658)
Repayment of loans by director, officers and former officers	39,999	128,748	39,999
Costs of stock split	(15,278)	-	-
Issuance of common stock	126,532	237,334	63,250
Repurchase and redemption of common stock	-	(625,541)	(3,080,299)
Net cash used in financing activities	(1,070,595)	(150,553)	(3,352,461)
Net Increase (Decrease) In Cash And Cash Equivalents	1,117,500	78,171	(40,891)
Cash And Cash Equivalents At Beginning Of Year	165,472	87,301	128,192
Cash And Cash Equivalents At End Of Year	\$1,282,972	\$ 165,472	\$ 87,301

The accompanying notes are an integral part of these statements.

S00937

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Rocky Mountain Chocolate Factory, Inc. is an international franchiser, confectionery manufacturer and retail operator in the United States, Guam, Canada, and the United Arab Emirates. The Company manufactures an extensive line of premium chocolate candies and other confectionery products. The Company's revenues are currently derived from three principal sources: sales to franchisees and others of chocolates and other confectionery products manufactured by the Company; the collection of initial franchise fees and royalties from franchisees' sales; and sales at Company-owned stores of chocolates and other confectionery products.

Cash Equivalents

Cash equivalents include cash in excess of daily requirements which is invested in various financial instruments having an original maturity of three months or less.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property and Equipment and Other Assets

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life of the asset, which range from five to thirty-nine years. Leasehold improvements are amortized on the straight-line method over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

The Company reviews its long-lived assets through analysis of estimated fair value, including identifiable intangible assets, whenever events or changes indicate the carrying amount of such assets may not be recoverable. The Company's policy is to review the recoverability of all assets, at a minimum, on an annual basis.

Amortization of Goodwill

Goodwill has historically been amortized on the straight-line method over ten to twenty-five years. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Intangible Assets*, which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment annually, and also in the event of an impairment indicator. SFAS 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS 142 on March 1, 2002.

Sales

Sales of products to franchisees and other customers are recognized at the time of shipment. Sales of products at retail stores are recognized at the time of sale.

Shipping Fees

Shipping fees charged to customers by the Company's trucking department are reported as sales. Shipping costs incurred by the Company's trucking department are reported as cost of sales.

Franchise and Royalty Fees

Franchise fee revenue is recognized upon completion of all significant initial services provided to the franchisee and upon satisfaction of all material conditions of the franchise agreement. In addition to the initial franchise fee, the Company receives a royalty fee of five percent (5%) and a marketing and promotion fee of one percent (1%) of the Rocky Mountain Chocolate Factory franchised stores' gross sales.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Vulnerability Due to Certain Concentrations

Franchised stores are concentrated (33%) in the factory outlet mall environment. At February 28, 2003, 4 Company-owned stores and 73 franchise stores of 230 total stores are located in this environment. The Company is, therefore, vulnerable to changes in consumer traffic in this market environment.

As of February 28, 2003, the Company had long-term notes receivable of approximately \$444,000 due from two franchisees resulting from the Company financing the construction of their new concept stores. The notes are collateralized by the underlying store assets. The Company is, therefore, vulnerable to changes in the cash flow from these locations.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation" encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and provides the required pro forma disclosures prescribed by SFAS 123.

The Company has adopted the disclosure-only provisions of SFAS 123. In accordance with those provisions, the Company applies APB 25 and related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost if the exercise price is not less than market. No compensation expense was recognized during the three years ended February 28, 2003. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant dates as prescribed by SFAS 123, net income and earnings per share would have been reduced to the pro-forma amounts indicated in the table below for the years ending February 28 (in 000's except per share amounts):

	2003	2002	2001
Net Income - as reported	\$ 852	\$ 1,995	\$ 1,556
Net Income - pro forma	757	1,843	1,427
Basic Earnings per Share-as reported	.34	.81	.58
Diluted Earnings per Share-as reported	.32	.76	.57
Basic Earnings per Share-pro forma	.30	.75	.53
Diluted Earnings per Share-pro forma	.28	.71	.53

Advertising and Promotional Expenses

The Company expenses advertising costs as incurred. Total advertising expense amounted to approximately \$420,000, \$420,000 and \$320,000 for the fiscal years ended February 28, 2003, 2002 and 2001, respectively.

Earnings Per Share

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options. During 2003, 2002 and 2001, 56,153, 62,495 and 293,333 stock options were excluded from diluted shares as their affect was anti-dilutive.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, payables, notes receivable, and debt. The fair value of all instruments approximates the carrying value.

NOTE 2 - INVENTORIES

Inventories consist of the following at February 28:

	2003	2002
Ingredients and supplies	\$ 1,583,631	\$ 1,538,107
Finished candy	1,478,504	1,588,983
	\$ 3,062,135	\$ 3,127,090

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at February 28:

	2003	2002
Land	\$ 513,618	\$ 513,618
Building	3,838,936	3,772,807
Machinery and equipment	6,746,190	6,512,836
Furniture and fixtures	658,145	592,677
Leasehold improvements	489,405	418,403
Transportation equipment	180,723	188,874
	12,427,017	11,999,215
Less accumulated depreciation	6,808,778	6,015,309
Property and equipment, net	\$ 5,618,239	\$ 5,983,906

NOTE 4 - LINE OF CREDIT AND LONG-TERM DEBT

Line of Credit

At February 28, 2003 the Company had a \$2.5 million line of credit from a bank, collateralized by substantially all of the Company's assets with the exception of the Company's retail store assets. Draws may be made under the line at 75% of eligible accounts receivable plus 50% of eligible inventories. Interest on borrowings is at prime less 50 basis points (3.75% at February 28, 2003). At February 28, 2003, \$2.5 million was available for borrowings under the line of credit, subject to borrowing base limitations. Terms of the line require that the line be rested (that is, that there be no outstanding balance) for a period of 30 consecutive days during the term of the loan. The credit line is subject to renewal in July, 2003.

Long-term debt

Long-term debt consists of the following at February 28:

	2003	2002
Mortgage note payable in monthly installments of \$17,600 through August, 2016 including interest at 6.0% per annum, collateralized by land and factory building. Interest was subject to adjustment every 60 months until maturity in August, 2016 but was adjusted to a floating rate of prime less fifty basis points (currently 3.75%) effective November 15, 2002.	\$ 1,947,500	\$ 2,049,494
Notes payable in monthly installments of between \$454 and \$8,002. Repaid in fiscal 2003.	-	103,986
Chattel mortgage note payable in monthly installments of \$65,500 through August, 2005 including interest at 6.00% per annum, collateralized by substantially all business assets. Interest rate was adjusted to a floating rate of prime less fifty basis points (currently 3.75%) effective November 15, 2002.	1,822,042	2,487,597

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NOTE 4 - LINE OF CREDIT AND LONG-TERM DEBT - CONTINUED

Long-term debt - continued	2003	2002
Chattel mortgage note payable in monthly installments of \$30,300 through August, 2004 including interest at 6.00% per annum, collateralized by inventory, accounts, equipment and general intangibles. Interest rate was adjusted to a floating rate of prime less fifty basis points (currently 3.75%) effective November 15, 2002.	521,656	846,468
Chattel mortgage note payable in quarterly installments of \$51,240 through January, 2002, and a final installment of \$34,160 April, 2002, including interest at 6.73% per annum collateralized by equipment, furniture and fixtures.	-	25,501
	4,291,198	5,513,046
Less current maturities	1,218,400	1,188,300
	\$ 3,072,798	\$ 4,324,746

Maturities of long-term debt are as follows for the years ending February 28 or 29:

2004	\$1,218,400
2005	1,022,500
2006	451,100
2007	97,000
2008	104,100
Thereafter	1,398,098
	\$4,291,198

Additionally, the line of credit and certain term debt are subject to various financial ratio and leverage covenants. At February 28, 2003 the Company was in compliance with all such covenants.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Operating leases

The Company conducts its retail operations in facilities leased under five to ten-year noncancelable operating leases. Certain leases contain renewal options for between two and ten additional years at increased monthly rentals. The majority of the leases provide for contingent rentals based on sales in excess of predetermined base levels.

The following is a schedule by year of future minimum rental payments required under such leases for the years ending February 28 or 29:

2004	\$ 254,400
2005	162,100
2006	113,000
2007	36,500
2008	11,500
	\$ 577,500

In some instances, in order to retain the right to site selection or because of requirements imposed by the lessor, the Company has leased space for its proposed franchise outlets. When a franchise was sold, the store was subleased to the franchisee who is responsible for the monthly rent and other obligations under the lease. The Company's liability as primary lessee on sublet franchise outlets, all of which is offset by sublease rentals, is as follows for the years ending February 28 or 29:

NOTE 5 - COMMITMENTS AND CONTINGENCIES - CONTINUED

2004	\$ 427,600
2005	313,800
2006	239,300
2007	135,500
2008	52,400
Thereafter	19,700
	\$ 1,188,300

The following is a schedule of lease expense for all retail operating leases for the three years ended February 28:

	2003	2002	2001
Minimum rentals	\$ 1,023,898	\$ 1,206,337	\$ 1,860,783
Less sublease rentals	(785,219)	(971,938)	(1,186,307)
Contingent rentals	9,628	8,999	22,030
	\$ 248,307	\$ 243,398	\$ 696,506

The Company also leases trucking equipment under operating leases. The following is a schedule by year of future minimum rental payments required under such leases for the years ending February 28 or 29:

2004	\$ 273,900
2005	200,900
2006	92,100
	\$ 566,900

The following is a schedule of lease expense for trucking equipment operating leases for the three years ended February 28:

	2003	2002	2001
	\$ 305,798	\$ 260,988	\$ 313,574

Contingencies

The Company is party to various legal proceedings arising in the ordinary course of business. Management believes that the resolution of these matters will not have a significant adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 6 - INCOME TAXES

Income tax expense is comprised of the following for the years ending February 28:

	2003	2002	2001
Current			
Federal	\$ 424,236	\$1,033,009	\$ 761,667
State	66,023	167,797	75,637
Total Current	490,259	1,200,806	837,304
Deferred			
Federal	24,939	10,608	128,539
State	2,787	1,186	16,742
Total Deferred	27,726	11,794	145,281
Total	\$ 517,985	\$1,212,600	\$ 982,585

A reconciliation of the statutory federal income tax rate and the effective rate as a percentage of pretax income is as follows for the years ending February 29:

	2003	2002	2001
Statutory rate	34.0%	34.0%	34.0%
Goodwill amortization	-	.3%	.3%
State income taxes, net of federal benefit	3.3%	3.5%	2.2%
Other	.5%	-	2.2%
Effective Rate	37.8%	37.8%	38.7%

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NOTE 6 - INCOME TAXES - CONTINUED

The components of deferred income taxes at February 28 are as follows:

Deferred Tax Assets	2003	2002
Allowance for doubtful accounts and notes	\$ 43,305	\$ 113,006
Inventories	26,520	45,897
Accrued compensation	39,508	64,999
Loss provisions	150,359	114,516
Self insurance accrual	28,902	-
Amortization, design costs and goodwill	45,790	42,219
	334,384	380,637
Deferred Tax Liabilities		
Depreciation	(308,966)	(327,493)
Deferred gain on sale	(83,017)	(83,017)
	(391,983)	(410,510)
Net deferred tax liability	\$ (57,599)	\$ (29,873)
Current deferred tax assets	\$ 174,616	\$ 138,591
Non-current deferred tax liabilities	(232,215)	(168,464)
Net deferred tax liability	\$ (57,599)	\$ (29,873)

NOTE 7 - STOCKHOLDERS' EQUITY

Stock Split

On January 28, 2002 the Board of Directors approved a four-for-three stock split payable March 4, 2002 to shareholders of record at the close of business on February 11, 2002. Shareholders received one additional share of Common Stock for every three shares owned prior to the record date and par value changed from \$.03 to \$.0225 per share. Immediately prior to the split there were 1,855,918 shares outstanding. Subsequent to the split there were 2,474,640 shares outstanding. All share and per share data have been restated in all years presented to give effect to the stock split.

Stock Repurchases

Between March 6, 2001 and September 28, 2001, the Company repurchased 123,355 Company shares at an average price of \$5.07 per share. Of the shares repurchased during this time period, 25,333 were repurchased from employees.

In January 2001 the Company repurchased 61,333 Company shares at an average price of \$3.80 per share.

On March 21, 2000, the Company commenced a tender offer to acquire shares of its common stock. Pursuant to the tender offer, which was completed on May 1, 2000, the Company acquired 596,793 shares of its issued and outstanding common stock at \$4.6875 per share.

On May 15, 1998, the Company purchased 448,000 shares and certain of its directors and executive officers purchased 138,667 shares of the Company's issued and outstanding common stock at \$3.8625 per share from La Salle National Bank of Chicago, Illinois, which obtained these shares through foreclosure from certain shareholders unrelated to any transactions of the Company. The Company loaned certain officers and directors the funds to acquire 53,333 of the 138,667 shares purchased by them. The loans are secured by the related shares, bear interest payable annually at 7.5% and were due May 15, 2003. All such loans were paid in full as of February 28, 2003.

NOTE 8 - STOCK OPTION PLANS

Under the Company's 1985 Incentive Stock Option Plan (the "1985 Plan"), options to purchase 286,667 shares of the Company's common stock were granted at prices not less than market value at the date of grant. The 1985 Plan expired in October 1995. Options granted under the 1985 Plan could not have a term exceeding ten years. Options representing the right to purchase 22,333 shares of the Company's common stock remained outstanding under the 1985 Plan at February 28, 2003.

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NOTE 8 - STOCK OPTION PLANS - CONTINUED

Under the 1995 Stock Option Plan (the "1995 Plan"), the Nonqualified Stock Option Plan for Nonemployee Directors (the "Director's Plan") and the 2000 Nonqualified Stock Option Plan for Nonemployee Directors (the "2000 Director's Plan"), options to purchase up to 400,000, 120,000 and 80,000 shares, respectively, of the Company's common stock may be granted at prices not less than market value at the date of grant. Options granted may not have a term exceeding ten years under the 1995 plan and the Director's Plan. Options granted may not have a term exceeding five years under the 2000 Director's Plan. Options representing the right to purchase 346,998, 26,666 and 63,996 shares of the Company's common stock were outstanding under the 1995 Plan, the Director's Plan, and the 2000 Director's Plan, respectively, at February 28, 2003. Options become exercisable over a one to five year period from the date of the grant. The options outstanding under these plans will expire, if not exercised, in January 2004 through March 2012.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following weighted average assumptions:

	2003	2002	2001
Expected dividend yield	0%	0%	0%
Expected stock price volatility	40%	40%	50%
Risk-free interest rate	4.3%	4.8%	6.5%
Expected life of options	5 years	5 years	7 years

Information with respect to options outstanding under the Plans at February 28, 2003, and changes for the three years then ended was as follows:

	2003	Weighted Average Exercise Price
Shares		
Outstanding at beginning of year	433,994	\$ 4.82
Granted	51,332	9.09
Exercised	(25,333)	4.94
Outstanding at end of year	459,993	5.29
Options exercisable at February 28, 2003	325,726	4.94
	2002	Weighted Average Exercise Price
Shares		
Outstanding at beginning of year	382,661	\$ 5.09
Granted	104,665	4.75
Exercised	(33,332)	7.09
Forfeited	(20,000)	5.94
Outstanding at end of year	433,994	\$ 4.82
Options exercisable at February 28, 2002	309,328	\$ 4.97
	2001	Weighted Average Exercise Price
Shares		
Outstanding at beginning of year	394,661	\$ 5.01
Granted	13,333	3.00
Exercised	(24,000)	2.63
Forfeited	(1,333)	5.81
Outstanding at end of year	382,661	\$ 5.09
Options exercisable at February 28, 2001	247,733	\$ 5.73

Weighted average fair value per share of options granted during 2003, 2002 and 2001 were \$3.81, \$1.98 and \$1.40, respectively.

NOTE 8 - STOCK OPTION PLANS - CONTINUED

Additional information about stock options outstanding at February 28, 2003 is summarized as follows:

Range of exercise prices	Number outstanding	Options Outstanding	
		Weighted average remaining contractual life	Weighted average exercise price
\$3.00 to 3.7035	133,666	6.31 years	\$3.47
\$3.84 to 4.40625	186,665	4.64 years	3.99
\$5.625 to 13.50	139,662	5.76 years	8.78

Range of exercise prices	Options Exercisable	
	Number Exercisable	Weighted average exercise price
\$3.00 to 3.7035	78,999	\$3.40
\$3.84 to 4.40625	175,999	3.99
\$5.625 to 13.50	70,729	9.04

NOTE 9 - OPERATING SEGMENTS

The Company classifies its business interests into two reportable segments: Franchising and Manufacturing. Previously the Company segregated Retail as a third reportable segment. The Company has phased out its Company-owned store program to eight remaining stores. The remaining stores provide an environment for testing new products and promotions, operating and training methods and merchandising techniques. Company management evaluates these stores in relation to their contribution to franchising efforts. The previously reported Retail segment is now included in the Franchising segment and all previously reported periods have been restated. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. The Company evaluates performance and allocates resources based on operating contribution, which excludes unallocated corporate general and administrative costs, provision for loss on accounts and notes receivable and related foreclosure costs and income tax expense or benefit. The Company's reportable segments are strategic businesses that utilize common merchandising, distribution, and marketing functions, as well as common information systems and corporate administration. All inter-segment sales prices are market based. Each segment is managed separately because of the differences in required infrastructure and the difference in products and services:

	Franchising	Manufacturing	Other	Total
FY 2003				
Total revenues	\$ 5,555,876	\$ 14,794,847	\$ -	\$ 20,350,723
Intersegment revenues	-	(889,251)	-	(889,251)
Revenue from external customers	5,555,876	13,905,596	-	19,461,472
Segment profit (loss)	1,635,959	3,701,220	(3,966,846)	1,370,333
Total assets	2,352,483	8,514,487	5,217,276	16,084,246
Capital expenditures	139,948	216,822	367,360	724,130
Provision for loss on accounts and notes receivable and related foreclosure costs	-	-	1,666,524	1,666,524
Total depreciation & amortization	206,923	411,994	196,362	815,279
FY 2002				
Total revenues	\$ 5,819,742	\$ 14,692,696	\$ -	\$ 20,512,438
Intersegment revenues	-	(1,073,361)	-	(1,073,361)
Revenue from external customers	5,819,742	13,619,335	-	19,439,077
Segment profit (loss)	1,750,056	3,898,178	(2,440,292)	3,207,942
Total assets	2,009,009	9,310,982	5,475,400	16,795,391
Capital expenditures	139,948	216,822	367,360	724,130
Total depreciation & amortization	272,359	432,714	200,154	905,227
FY 2001				
Total revenues	\$ 10,638,310	\$ 14,284,080	\$ -	\$ 24,922,390
Intersegment revenues	-	(2,350,553)	-	(2,350,553)
Revenue from external customers	10,638,310	11,933,527	-	22,571,837
Segment profit (loss)	1,534,719	3,876,785	(2,872,531)	2,538,973
Total assets	3,252,033	8,656,411	3,133,619	15,042,063
Capital expenditures	211,667	134,740	120,041	466,448
Total depreciation & amortization	507,505	457,629	184,456	1,149,590

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

For the three years ended February 28:

	2003	2002	2001
Interest paid	\$ 298,141	\$ 448,384	\$ 666,055
Income taxes paid	1,088,692	1,024,208	918,653

Non-Cash Investing Activities:

Company financed sales of retail store asset	\$ -	\$ 1,429,317	\$ 1,128,643
Fair value of assets received upon foreclosure of notes:			
Tangible store assets			
Held for sale	430,260	-	-
Store to be operated	82,917	-	-
Goodwill	242,083	-	-

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan called the Rocky Mountain Chocolate Factory, Inc. 401(k) Plan. Eligible participants are permitted to make contributions up to 15% of compensation. The Company makes a matching contribution, which vests ratably over a 3-year period, and is 25% of the employee's contribution up to a maximum of 1.5% of the employee's compensation. For fiscal 2001 the Company made an additional discretionary contribution by doubling the normal matching. During the years ended February 28 or 29, 2003, 2002 and 2001, the Company's contribution was approximately \$33,000, \$33,000 and \$68,000, respectively, to the plan.

NOTE 12 - STORE SALES AND FORECLOSURES

In connection with the Company's plans to phase out its Company-owned stores, the Company sold ten Company-owned stores in fiscal 2002 resulting in sales proceeds consisting of cash and notes receivable of approximately \$1.2 million and recognized and deferred gains of approximately \$124,000 and \$386,000, respectively.

In connection with the Company's plans to phase out its Company-owned stores, the Company sold eighteen Company-owned stores in fiscal 2001 resulting in sales proceeds consisting of cash and notes receivable of approximately \$2.3 million and recognized and deferred gains of approximately \$542,000 and \$193,000, respectively.

At February 28, 2003, the Company has \$1,139,000 of notes receivable outstanding. The notes require monthly payments and bear interest at rates ranging from 7.5% to 12.5%. The notes mature through October 2006 and are secured by the assets financed.

During fiscal 2002 the Company adjusted the repayment schedule of the notes from a single franchisee to correspond to the franchisee's store operating cycles. The Company also financed an additional \$300,000 of inventory and wrote-off \$243,750 of the notes receivable. During fiscal 2003 the Company financed \$230,000 for an additional store for the franchisee. During the third quarter of fiscal 2003 the Company recorded an additional \$1,667,000 provision for potential loss on accounts and notes receivable and foreclosure costs related to the insolvency of this franchisee. In December 2002, the Company foreclosed on four of the stores previously operated by the franchisee and plans to operate one such retail outlet as a Company-owned store and sell three stores to other franchisees. At February 28, 2003 the Company has no balance recorded for notes receivable from this franchisee.

NOTE 13 - SUMMARIZED QUARTERLY DATA (UNAUDITED)

Following is a summary of the quarterly results of operations for the fourth quarter ended February 28, 2003 and 2002:

	First	Second	Fiscal Quarter Third	Fourth	Total
2003					
Total revenue	\$ 3,972,339	\$ 5,066,360	\$ 5,632,577	\$ 4,790,196	\$19,461,472
Gross margin	1,213,860	1,477,146	1,505,766	1,111,001	5,307,773
Net income (loss)	459,427	615,840	(472,653)	249,734	852,348
Basic earnings (loss)					
per share	.18	.25	(.19)	.10	.34
Diluted earnings (loss)					
per share	.17	.23	(.19)	.09	.32

NOTE 13 - SUMMARIZED QUARTERLY DATA (UNAUDITED) - CONTINUED

	Fiscal Quarter				
	First	Second	Third	Fourth	Total
2002					
Total revenue	\$ 4,232,774	\$ 4,689,691	\$ 5,608,251	\$ 4,908,361	\$ 19,439,077
Gross margin	1,277,392	1,523,235	1,357,650	1,453,076	5,611,353
Net income	350,835	607,973	612,577	423,957	1,995,342
Basic earnings per share	.14	.25	.25	.17	.81
Diluted earnings per share	.14	.23	.23	.16	.76

NOTE 14 - GOODWILL AND INTANGIBLE ASSETS

Effective March 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Intangible Assets. SFAS 142 revised the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized, will be tested for impairment annually and also in the event of an impairment indicator, and must be assigned to reporting units for purposes of impairment testing and segment reporting.

The Company has historically amortized goodwill on the straight-line method over ten to twenty-five years. Beginning March 1, 2002, quarterly and annual goodwill amortization is no longer recognized. The Company completed a transitional fair value based impairment test of goodwill as of March 1, 2002. There were no impairment losses resulting from the transitional testing. The Company has three reporting units with goodwill.

The changes in the carrying amount of goodwill for the year ended February 28, 2003, are as follows:

	Franchising Segment	Manufacturing Segment	Total
Balance as of March 1, 2003	1,235,000	295,000	1,530,000
Goodwill acquired during year	242,083	-	242,083
Balance as of February 28, 2003	1,477,083	295,000	1,772,083

Intangible assets consist of the following at February 28:

	2003			2002		
	Amortization Period	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization	
Intangible assets subject to amortization						
Store design	10 Years	\$ 189,640	23,034	\$ 149,883	\$ 7,234	
Packaging licenses	3-5 Years	95,831	61,670	95,831	28,383	
Packaging design	10 Years	403,238	46,838	366,932	8,427	
Total		688,709	131,542	612,646	44,044	
Intangible assets not subject to amortization						
Franchising segment-						
Company stores goodwill		1,182,083	336,847	940,000	336,847	
Franchising goodwill		295,000	197,682	295,000	197,682	
Manufacturing segment-Goodwill		295,000	197,682	295,000	197,682	
Total Goodwill		1,772,083	732,211	1,530,000	732,211	
Total intangible assets		2,460,792	863,753	\$2,142,646	\$ 776,255	

Amortization expense related to intangible assets totaled \$87,498 and \$161,652 during the fiscal year ended February 28, 2003 and 2002. The aggregate estimated amortization expense for intangible assets remaining as of February 28, 2003 is as follows:

2004	\$ 72,500
2005	71,400
2006	71,400
2007	60,200
2008	60,000
Thereafter	221,667
Total	\$557,167

NOTE 14 - GOODWILL AND INTANGIBLE ASSETS - CONTINUED

Net income and earnings per share for the year ended February 28, 2003, 2002 and 2001 adjusted to exclude goodwill amortization is as follows:

	2003	2002	2001
Reported net income	\$ 852,348	\$1,995,342	\$1,556,388
Goodwill amortization, net of tax	-	73,152	92,381
Adjusted net income	\$ 852,348	\$2,068,494	\$1,648,769
Basic earnings per share:			
Reported net income	\$.34	\$.81	\$.58
Goodwill amortization, net of tax	-	.03	.03
Adjusted net income	\$.34	\$.84	\$.61
Diluted earnings per share:			
Reported net income	\$.32	\$.76	\$.57
Goodwill amortization, net of tax	-	.02	.04
Adjusted net income	\$.32	\$.78	\$.61

NOTE 15 - ASSETS HELD FOR SALE

Assets held for sale consist of three fully operational stores and individual items of equipment, furniture and fixtures that were acquired in partial satisfaction of certain notes receivable from a franchisee. The notes were originally extended as part of store sales and construction financing of additional stores for the franchisee (Note 12). Management expects to dispose of the operating stores and other acquired assets to either existing franchisees who plan to upgrade or expand their operations or to prospective franchisees. These assets are included in "Other" for segment reporting.

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS

Effective March 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 144 (SFAS 144), Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The implementation of this standard did not have an effect on the Company's financial position, results of operations or cash flows.

In July 2002, the Financial Accounting Standards Board (FASB) issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS 146 nullifies FASB Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. It requires that a liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in the Financial Accounting Standards Board's conceptual framework. SFAS No. 146 also establishes fair value as the objective for initial measurement of liabilities related to exit or disposal activities. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with earlier adoption encouraged. The Company does not expect SFAS 146 to have a material effect on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation - Transition and Disclosure: an amendment of FASB Statement 123 (SFAS 123)*. SFAS 148 provides alternative transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in annual financial statements about the method of accounting for stock-based employee compensation and the pro forma effect on reported results of applying the fair value based method for entities that use the intrinsic value method of accounting. The pro forma effect disclosures are also required to be prominently disclosed in interim period financial statements. This statement is effective for financial statements for fiscal years ending after December 15, 2002 and is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002, with earlier application permitted. The Company does not plan to change to the fair value based method of accounting for stock-based employee compensation at this time and has included the disclosure requirements of SFAS 148 in the accompanying financial statements.

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS - CONTINUED

In November 2002, the FASB issued Interpretation 45 (FIN 45), *Guarantor's accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 applies prospectively to guarantees issued or modified subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The Company has not historically issued guarantees and does not anticipate FIN 45 to have a material effect on the Company's financial statements.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities*. FIN 46 clarifies the application of Accounting Research Bulletin 51, *Consolidated Financial Statements*, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties on in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46 will be required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not anticipate FIN 46 to have a material effect on the Company's financial statements.

EXHIBIT F

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ROCKY MOUNTAIN CHOCOLATE FACTORY **OPERATIONS MANUAL** **2002**

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EXHIBIT G

SUBLEASE AND ASSIGNMENT AGREEMENTS

S00956

SUBLEASE AGREEMENT

This Sublease Agreement ("Sublease") is made this _____ day of _____, 20____, by and between Rocky Mountain Chocolate Factory, Inc., a Colorado corporation ("Sublessor"), and _____

_____ ("Sublessee").

RECITALS

- A. Sublessor as Lessee entered into a certain lease (the "Lease") dated _____, 20____, with _____, whose address is _____, as Lessor, to allow Sublessee to operate a ROCKY MOUNTAIN CHOCOLATE FACTORY Store in certain premises located in the _____ Mall in _____, _____ (the "Leased Premises").
- B. Sublessor and Sublessee have entered into a Franchise Agreement dated _____ ("Franchise Agreement"), which will govern Sublessee's operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Store at the Leased Premises.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sublessor shall sublease the Leased Premises to Sublessee under the terms and conditions of the Lease, a true and correct copy of which is attached hereto as Exhibit A and by this reference incorporated herein. References in the Lease to "Lessor" or "Landlord" shall mean Sublessor and to "Tenant" or "Lessee" shall mean Sublessee for the purposes of this Sublease. The Lease is for a ____ () year term commencing _____, 20__, and terminating on _____, 20__. The term of this Sublease shall commence on _____, 20__. This Sublease shall terminate one day before the termination date of the Lease and any extension thereof.
2. Sublessee agrees that the sole purpose of this Sublease is to facilitate Sublessee's operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Store on the Leased Premises. Therefore, the cessation of the operation and/or change in use of the Leased Premises for any use other than a

ROCKY MOUNTAIN CHOCOLATE FACTORY Store continuously during the entire term of this Sublease shall constitute a material default of this Sublease and shall entitle Sublessor to all of its rights and remedies under the law, including but not limited to, those specifically set forth under the default provisions of the Lease.

3. Sublessor specifically prohibits any assignment or sublease of the Leased Premises or of any interest in this Sublease by Sublessee. Any such assignment or sublease by Sublessee shall be null and void ab initio.
4. Any default by Sublessee under its Franchise Agreement with Sublessor which would justify a termination of such Franchise Agreement shall also constitute a default under this Sublease and justify termination of this Sublease. Sublessor hereby agrees to notify Landlord of any uncured default by Sublessee under its Franchise Agreement (after notice thereof to Sublessee) which would justify a termination of such Franchise Agreement.
5. All payments required to be made by Sublessee under this Sublease shall be made by Sublessee directly to Lessor in accordance with the provisions of the Lease. Sublessee agrees to indemnify, defend and hold harmless Sublessor, its affiliates and their respective shareholders, directors, officers, employees, agents, successors and assigns (collectively, "Indemnified Parties") against, and to reimburse them for, all claims, obligations and liabilities directly or indirectly arising out of the Lease and/or this Sublease. For purposes of this indemnification, claims shall include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Sublessor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Sublease.
6. The addresses for the parties for notices shall be as follows:
Sublessor: Rocky Mountain Chocolate Factory, Inc.
265 Turner Drive
Durango, Colorado 81303

and to Sublessee at the Leased Premises.

7. Sublessee assumes and agrees to perform all obligations of Sublessor as set forth in the Lease as though it were tenant under that document and as though Sublessor were the landlord. Sublessee shall have no right to prepare plans or effect tenant's improvements to the Leased Premises except as may otherwise be agreed upon in writing by Sublessor, which agreement shall not be unreasonably withheld.
8. At the conclusion of the term of this Sublease, Sublessee shall, at its own expense, if requested by Sublessor or Lessor, remove all changes or alterations and restore Leased Premises to the condition which would have existed had not such changes or alterations been made, reasonable wear and tear excepted.
9. If applicable, this Sublease is subject to Lessor's written consent as required under the Lease and shall be effective only upon such consent, represented by Lessor's signature below.

Lessor:

By: _____

Its: _____

Sublessor:

Rocky Mountain Chocolate Factory, Inc.,
a Colorado corporation

By: _____

Its: _____

Sublessee:

By: _____, Personally

By: _____, Personally

OR

By: _____

Its: _____

(6/1/03)

EXHIBIT A

Lease Dated _____, 20____
Between Rocky Mountain Chocolate Factory, Inc. and

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE ("Assignment") is made as of _____, 200__, between Rocky Mountain Chocolate Factory, Inc. a Colorado corporation ("Assignor"); _____, a _____ ("Assignee"); and _____, a _____ ("Landlord").

RECITALS

- A. Assignor is the current tenant under that certain lease with Landlord dated _____, _____, as amended (the "Lease") attached hereto as Exhibit A.
- B. Assignor desires to assign the Lease to Assignee and Assignee desires to assume all of the obligations of the Lease.
- C. Landlord agrees to permit the assignment and assumption and subsequent conditional assignment of the Lease in accordance with the terms of this Assignment.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and upon the conditions contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor, Assignee and Landlord hereby agree as follows:

1. Assignment. Assignor hereby assigns, conveys and delivers to Assignee all of Assignor's right, title and interest in, to and under the Lease, including without limitation: (i) all security deposits held by Landlord under the Lease and not heretofore returned or applied in accordance with the terms of the Lease (which security deposits are identified on Exhibit B attached hereto), provided that as consideration for this Assignment, Assignee shall pay to Assignor the amount of such still outstanding security deposit prior to the Effective Date; (ii) any rights in and to any subleases created under the Lease; (iii) any rights to improvements created by the Lease; and (iv) any options to extend the term of Lease. Assignee and Landlord agree that Assignor shall have no obligation or liability under the Lease from and after the Effective Date.
2. Assumption. Assignee hereby accepts the foregoing assignment, conveyance and delivery and assumes and agrees to perform and be bound by all the terms, conditions and obligations required to be performed by the Assignor under the Lease from and after the date hereof. Assignee shall defend, indemnify and hold harmless Assignor, Assignor's affiliates and their respective officers, directors, managers, members, partners, shareholders, equity owners, employees, representatives, successors and assigns from and against all claims, damages, losses, costs, expenses and liabilities (including but not limited to all attorneys' fees, court costs and expert witness fees paid or incurred by Assignor) which arise out of or are in any way connected with any act, cause of action or omission by Assignee under or with respect to the Lease or security deposits arising, accruing or occurring on or after the Effective Date.
3. NO REPRESENTATIONS. EXCEPT AS PROVIDED IN THIS ASSIGNMENT, ASSIGNOR MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE LEASE OR ASSIGNOR'S RIGHT, TITLE OR INTEREST IN, TO OR UNDER THE LEASE, ALL OF WHICH ARE HEREBY DISCLAIMED AND EXCLUDED.

4. Conditional Assignment from Assignee to Assignor. Assignee is the franchisee and Assignor is the franchisor under that certain franchise agreement dated ("Franchise Agreement") for the operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Store on the premises that are the subject of the Lease. As security for Assignee's obligations to Assignor under the Franchise Agreement, Assignee shall conditionally assign the Lease to Assignor pursuant to the Conditional Assignment of Lease attached hereto as Exhibit C. Landlord approves of the Conditional Assignment of Lease by Assignee to Assignor.

5. Binding Clause. This Assignment shall be binding on and inure to the benefit of Assignor and Assignee and their successors in interest and assigns.

6. Governing Law. This Assignment and the legal relations of the parties hereto shall be governed by and construed and enforced in accordance with the laws of the State of Colorado, without regard to its principles of conflicts of law.

7. Counterparts. This Assignment may be executed in one or more counterparts, and by facsimile signature, each of which shall be deemed an original and all of which shall constitute one and the same Assignment.

8. Landlord Fees. Assignee shall reimburse Assignor for all costs required by the Lease to be paid to Landlord in conjunction with Landlord's review and approval of this Assignment.

9. Attorneys Fees. If any lawsuit is filed which relates to or arises out of this Assignment, the prevailing party, as determined by the court, shall be entitled to recover from each other party such attorneys' fees as the court may award (including without limitation, the allocated costs for services of in-house counsel), in addition to such other costs and expenses of suit as may be allowed by law.

10. Consent. Landlord's signature below shall constitute its consent to the Assignment as required by the Lease.

11. Effective Date. This Assignment shall be effective as of the date first set forth above.

IN WITNESS WHEREOF, this Assignment was made and executed as of the date first above written.

ASSIGNOR:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

By: _____
Name: _____
Title: _____

ASSIGNEE:

By: _____

Name: _____

Title: _____

LANDLORD:

By: _____

Name: _____

Title: _____

(6/1/03)

EXHIBIT A

THE LEASE

S00964

EXHIBIT B

SECURITY DEPOSITS

S00965

EXHIBIT C

CONDITIONAL ASSIGNMENT OF LEASE

S00966

CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE ("Conditional Assignment") is made as of this ____ day of _____, 20____ by and between _____, a _____ ("Assignor"), ROCKY MOUNTAIN CHOCOLATE FACTORY, INC., a Colorado corporation ("Assignee") and _____ a _____ ("Landlord").

WHEREAS, Assignor is a tenant ("Tenant") of certain property generally known as _____, located in the City of _____, State of _____ ("Property"), pursuant to a lease by and between Landlord and Assignor, dated _____, 20____ (the "Lease");

WHEREAS, Assignor desires to operate a ROCKY MOUNTAIN CHOCOLATE FACTORY Store under a certain franchise agreement between Assignor and Assignee (the "Franchise Agreement"); and

WHEREAS, as a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Conditional Assignment.

NOW, THEREFORE, for and in consideration of the sum of Five Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease and the ROCKY MOUNTAIN CHOCOLATE FACTORY Store to Assignee.

2. With the exception of Assignee's rights under paragraph 3 below and Assignor's and Landlord's respective obligations, representations and covenants under paragraphs 3, 4, 8, 9 and 10 below, the Conditional Assignment of Lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until:

(a) Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance by Assignee as surety for or under any guaranty of the Lease; or

(b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein; or

(c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof; or

(d) Discontinuation by the Assignor of operation of a ROCKY MOUNTAIN CHOCOLATE FACTORY Store on the Property, whether voluntarily or involuntarily; or

(e) Nonrenewal by Assignor of the Franchise Agreement; or

(f) Nonrenewal by Assignor of the Lease.

S00967

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to give Assignee the period provided to Tenant under the Lease plus 10 days to cure all such defaults.

4. In the event Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of 1½% per month, or the highest rate allowed by law. Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to paragraph 5 below.

5. The date upon which this Conditional Assignment shall be effective (the "Effective Date"), is the date upon which Landlord and Assignor receive written notice from Assignee that:

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of paragraph 3 above, and that Assignee will assume the Lease; or

(b) The events described in either subparagraph 2(b), 2(c), 2(d) or 2(e) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of this Conditional Assignment, and to the assignment of the Lease to Assignee. Landlord agrees that after the Effective Date, Assignee may (i) enter into a sublease or assignment with any ROCKY MOUNTAIN CHOCOLATE FACTORY franchisee without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord. Landlord further agrees that upon the occurrence of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease Agreement by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Conditional Assignment.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Upon Assignee's failure otherwise to agree in writing, and upon the failure of Assignor to elect to extend or renew the Lease, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier to:

Assignee:

Rocky Mountain Chocolate Factory, Inc.
265 Turner Drive
Durango, Colorado 81303

Assignor:

Landlord:

12. Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

13. This Conditional Assignment may be executed in counterparts, all of which will have full force and effect as an original, including admission into evidence, and facsimile signatures shall constitute originals for all purposes.

**ADDENDUM TO
FRANCHISE AGREEMENT --
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
SATELLITE STORE**

THIS ADDENDUM ("Addendum") to the Franchise Agreement dated of even date herewith ("Agreement") is between Rocky Mountain Chocolate Factory, Inc. ("Franchisor") and the undersigned "Franchisee." The following amends and shall be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement. The Franchisor and the Franchisee agree as follows:

1. **Application of Satellite Store to Agreement.** All references in the Agreement to the "Stores," as defined in Section 1.1 of the Agreement, are deleted and the reference "Satellite Store" is inserted in place thereof. Notwithstanding anything contained in the preceding sentence to the contrary, all references in the Agreement to "Stores" under Section 20.2 of the Agreement shall not be replaced by the words "Satellite Store," but shall instead be supplemented by adding the words "or Satellite Stores" directly after the word "Store(s)." All references to "Stores" in the definition of "Competitive Business" in Section 20.1 of the Agreement shall remain unchanged as originally stated. Except as may be otherwise noted herein or in the Agreement, all applicable terms, conditions and requirements set forth in the Agreement applicable to the Stores shall apply to the Satellite Stores. The Franchisor's approval of the development and operation of a Satellite Store, as required pursuant to Section 3.2 of the Agreement, is hereby granted. The terms of the Agreement and of this Addendum apply only to the operation of and products offered and sold from or through the Satellite Store and not to any other non-competing businesses of the Franchisee, located in the Host Facility (defined below), if any, except as specifically set forth herein.

2. **Definition of Satellite Store.** The Franchisor and the Franchisee agree that the Franchisee's "Satellite Store" shall be defined as a ROCKY MOUNTAIN CHOCOLATE FACTORY Store which is open for business for a total of between 31 and 180 days in any calendar year and/or has a lease lasting more than one but fewer than 12 months and/or is located at, in or adjacent to a Host Facility, as defined in Section 4 below. If applicable, the Satellite Store will be open during the following months or for the following events each year: _____

3. **Traditional Store.** All references in this Addendum to the Franchisee's "Traditional Store(s)" shall refer to the traditional Store(s) operated under duly executed and validly existing franchise agreement(s) dated _____ and _____ between the Franchisor and the Franchisee or, if the Franchisee is a partnership, corporation, limited liability company or any other entity, owned in part or in whole by those individuals or entities owning 50% or more of the ownership interests in the Franchisee entity ("Affiliates"), which agreements shall hereinafter be referred to as "Traditional Agreement(s)." The Franchisee acknowledges that the Franchisor only grants rights to develop and operate Satellite Stores to its franchisees or their Affiliates who own and operate a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Store under a valid and existing franchise agreement with the Franchisor. The Franchisees' or its Affiliates' Traditional Store(s) is/are located at _____

4. **Franchised Location.** The Franchised Location for the Satellite Store shall be, which, if applicable, is located at, within or adjacent to the following facility (also referred to as the "Host Facility"): _____

The Franchisee acknowledges and agrees that the Franchised Location for its Satellite Store shall not be located within any protected territories of other franchisees of the Franchisor.

5. **Approval of Franchised Location.** The Franchisor hereby approves the above-stated location as the Franchised Location. The Franchisee acknowledges and warrants that (1) the Franchisor's approval does not constitute a guarantee, recommendation or endorsement of the Franchised Location and that the success of the Satellite Store is dependent upon the Franchisee's abilities as an independent businessperson; and (2) the Franchisor has complied with its obligations under the Agreement to assist the Franchisee with respect to criteria for the Franchised Location and determination of fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by the Franchisee.

6. **Initial Franchise Fee.** Section 4.1 of the Agreement shall be deleted in its entirety and replaced with the following:

The parties acknowledge the receipt and sufficiency of adequate consideration for entering into this Agreement.

7. **Approval of Lease.** The following sentence shall be added to the end of Section 5.1 of the Agreement:

If the placement and operation of the Satellite Store in or in connection with the Host Facility requires the consent of the owner, franchisor or licensor of the Host Facility, the Franchisee hereby represents and warrants that such consent has been obtained in writing, and such representation is a condition precedent to the grant of the Franchisee's right to establish and operate the Satellite Store.

8. **Conversion and Design; Signs; Equipment.** Sections 5.2, 5.3 and 5.4 of the Agreement are amended by adding the following sentence to the end of each Section:

The Franchisee agrees to comply with any policies, procedures, standards and specifications contained in the Franchisor's Operations Manual pertaining to Satellite Stores.

9. **Relocation.** The following shall be added as a new Section 5.7 of the Agreement:

5.7 Relocation. Effective during the 90 day period beginning six months after the opening of the Satellite Store, the Franchisee shall have the option to relocate the Satellite Store to another site, subject to the Franchisor's approval of such site in accordance with the terms of this Agreement, if the Franchisee reasonably determines that the Satellite Store has not been profitable during the six month period after the opening of the Satellite Store and if the Franchisee provides 30 days advance written notice to the Franchisor of its determination of nonprofitability and intent to relocate, which notice shall include documentation supporting the Franchisee's determination of nonprofitability and a proposed site for relocation.

10. **Initial Training Program.** Sections 6.1 and 6.2 of the Agreement shall be deleted and replaced with the following:

At all times, the Satellite Store shall be managed by a person who has successfully completed the Franchisor's initial training program. The Franchisor shall waive the requirement that the Franchisee or its employees successfully complete the initial training program, provided that the Franchisee agrees to designate a person or persons to assume primary responsibility for the management of the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Store ("General Manager") who shall have already successfully completed the Franchisor's initial training program. If the Franchisee wishes to appoint a General Manager for the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Store who has not already successfully completed the Franchisor's initial training program, the Franchisee may pay the then current published fee for such training program and the Franchisee shall be responsible for all travel and living expenses incurred by its personnel during the training program. The Franchisee acknowledges that the availability of the training program shall be subject to space considerations and prior commitments to new ROCKY MOUNTAIN CHOCOLATE FACTORY franchisees.

11. **Franchisor's Development Assistance.** Subsections 7.1.a, .b and .f of the Agreement shall be deleted in their entirety.

12. **Satellite Store Operations.** The second sentence of Section 10.1.d of the Agreement shall be deleted and replaced with the following sentence:

The Franchisee shall offer all types of products and services as from time to time may be prescribed by the Franchisor for Satellite Stores and shall refrain from offering any other types of products or services, or operating or engaging in any other type of business or profession, from or through the ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Store, including, without limitation, filling "Wholesale Orders," defined below, selling Factory Candy, Store Candy, Items or other authorized products through the internet, catering or other off-premises sales, without the prior written consent of the Franchisor.

and, the following shall be added to the end of Section 10.1.d of the Agreement:

The Franchisor and the Franchisee acknowledge and agree that the products and services offered for sale from or through the Satellite Store, and the standards and specifications of the Franchisor related thereto, may differ from that of a traditional ROCKY MOUNTAIN CHOCOLATE FACTORY Store and may be subject to alternative standards and specifications as may be developed and made available by the Franchisor from time to time.

and, Section 10.1.f of the Agreement shall be deleted and replaced with the following:

The Franchisor recommends that the Franchisee subscribe for and maintain three separate telephone numbers for its ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Store at the Franchised Location, two of which, the telephone and facsimile machine numbers, shall be listed and identified exclusively with the Satellite Store and shall be separate and distinct from all other telephone numbers subscribed for by the Franchisee. If applicable, one number shall be used exclusively for voice communication, the second

shall be used exclusively for a facsimile machine and the third shall be used exclusively for the modem that is included in the System.

13. **Monthly Royalty.** The following shall be added at the end of Section 11.1 of the Agreement:

Further, the Franchisee agrees to report all Gross Retail Sales, defined in Section 11.2 below, generated from or through its Satellite Store separate and apart from reports of its Gross Retail Sales generated from or through its Traditional Store(s).

14. **Local Advertising; Marketing and Promotion Fee.** Section 12.2 of the Agreement shall be deleted in its entirety. The following will be added at the end of Section 12.3 of the Agreement:

Notwithstanding the references in this Section 12.3 to local advertising expenditures, the Franchisee will not be required to spend any amounts on local advertising of its Satellite Store.

15. **Regional Advertising Programs.** Section 12.4 of the Agreement shall be revised as follows:

Notwithstanding the provisions of this Section 12.4, the Franchisee's Satellite Store will not be required to participate in either a regional advertising program or a regional advertising cooperative established by the Franchisor from time to time.

16. **Marks.** The following shall be added to the end of the second sentence of Section 14.1 of the Agreement:

and, if applicable, except for the right to use such Marks in the operation of Traditional Stores pursuant to duly executed and validly existing Traditional Agreements with the Franchisor.

17. **Franchisee Reports.** The following sentence shall be added to the end of Section 15.1 of the Agreement:

The Franchisee agrees to keep the bookkeeping and accounting records for the Satellite Store separate from the bookkeeping and accounting records of all Traditional Store(s) owned by the Franchisee or its Affiliate(s). The Franchisee further agrees to keep separate bookkeeping and accounting records to differentiate all sales and operations of the Satellite Store from all sales and operations of the Host Facility, if any.

18. **Transfer by Franchisee.** Section 16.2.b. of the Agreement shall be deleted and replaced by the following:

The proposed transferee agrees to operate the Satellite Store as a ROCKY MOUNTAIN CHOCOLATE FACTORY Satellite Store and agrees to satisfactorily complete the initial training program described in the then current form of franchise agreement, which training must be completed by the transferee prior to the effectiveness of the transfer;

and the following shall be added as a new Section 16.2.i:

i. One or more of the Franchisee's Traditional Agreements for the Franchisee's or its Affiliates' Traditional Store(s) is or are being transferred to the same proposed transferee of the Satellite Store simultaneously with and as part of the same transaction as the transfer of the Satellite Store.

19. **Term.** Section 17.1 of the Agreement shall be deleted and replaced with the following:

The initial term of this Agreement shall expire on the same date the Traditional Agreement governing the Franchisee's or its Affiliates' Traditional Store expires. If the Franchisee together with its Affiliates, operates more than one Traditional Store, then this Agreement shall expire on the first expiration date to occur taking into account the expiration dates of all of the applicable Traditional Agreements.

20. **Rights Upon Expiration.** The following shall be added to the Agreement as new Sections 17.2.f and 17.2.g, respectively:

f. Has complied with all provisions of the Franchisee's or its Affiliates' Traditional Agreement(s) for the Franchisee's or its Affiliates' Traditional Store(s) during the current term of this Agreement, including the payment on a timely basis of all Royalties and other fees due under the Traditional Agreement(s); and

g. All amounts due and owing pursuant to this Agreement and pursuant to all Traditional Agreement(s) by the Franchisee to the Franchisor or its affiliates or to third parties whose debts or obligations the Franchisor has guaranteed on behalf of the Franchisee, if any, are paid in full.

21. **Termination by Franchisor - Effective Upon Notice.** The following shall be added to the Agreement as new Sections 18.1.j, 18.1.k and 18.1.l, respectively:

j. **Termination of Traditional Agreement.** If any of the Traditional Agreement(s) between the Franchisor and the Franchisee or its Affiliates for any of the Traditional Store(s) expires without being renewed or is terminated for any reason.

k. **Loss of Right to Operate at Host Facility.** If the Satellite Store is operated at a Host Facility, if the Franchisee loses the right for whatever reason to operate the Satellite Store at the Host Facility.

l. **Transfer of Franchisee's Traditional Store Without Transfer of Satellite Store.** If any of the Franchisee's or its Affiliates' Traditional Store(s) or Traditional Agreement(s), is/are transferred in any manner pursuant to a transaction where the Satellite Store licensed under this Agreement is not transferred in full simultaneously therewith to the identical transferee, without the Franchisor's prior written consent.

22. **Termination by Franchisor - Thirty Days Notice.** The following shall be added to the end of the first sentence in Section 18.2.e of the Agreement:

, except for the breach and termination of any of the Traditional Agreement(s) for Traditional Store(s) owned by the Franchisee or its Affiliates, to which Section 18.1.j of this Agreement shall apply.

23. Non-Competition During Term. The following phrase shall be added to the end of Section 20.1 of the Agreement:

, and further provided that the term "Competitive Business" shall not include any Traditional Stores operated by the Franchisee or its Affiliates pursuant to duly executed and validly existing Franchise Agreements with the Franchisor.

24. Notice. The business address for any notices mailed pursuant to Section 22.12 of the Agreement shall be as follows: _____

25. Franchisee Representation. The person(s) or entity(ies) executing this Addendum as the Franchisee is (are) identical to or are Affiliates of the person(s) or entity(ies) who executed the Agreement.

26. Ratification. Except as modified in this Addendum, all terms, conditions and obligations set forth in the Agreement are hereby ratified and confirmed by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum effective as of the _____ day of _____, 20____.

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE
FACTORY, INC.

By: _____
Title: _____

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

(6/1/03)

EXHIBIT I

ADDENDUM TO FRANCHISE AGREEMENT – TEMPORARY STORES

S00976

**ADDENDUM TO
FRANCHISE AGREEMENT --
ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
TEMPORARY STORE**

THIS ADDENDUM ("Addendum") to the Franchise Agreement dated _____, 20____ ("Agreement") is made effective as of _____, 20____, between Rocky Mountain Chocolate Factory, Inc. ("Franchisor") and the undersigned "Franchisee." The following amends and shall be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement. The Franchisor and the Franchisee agree as follows:

1. **Addition of Temporary Store to Agreement.** All references in the Agreement to the "Store(s)," as defined in Section 1.1 of the Agreement, shall be changed to add the words "and Temporary Store" immediately after each such reference. Notwithstanding anything contained in the preceding sentence to the contrary, all references to "Stores" in Section 20.2 and in the definition of "Competitive Business" in Section 20.1 of the Agreement shall remain unchanged as originally stated. Article 17 of the Agreement will not apply to the Temporary Store. Except as may be otherwise noted herein or in the Agreement, all applicable terms, conditions and requirements set forth in the Agreement applicable to Stores shall apply to Temporary Stores. The Franchisor's approval of the operation of a Temporary Store, as required pursuant to Section 3.2 of the Agreement, is hereby granted.

2. **Definition of Temporary Store/Term/Franchised Location.** The Franchisor and the Franchisee agree that the Franchisee's "Temporary Store" shall be defined as a ROCKY MOUNTAIN CHOCOLATE FACTORY Store which is open for business for not more than 30 consecutive days at the same Franchised Location. The Temporary Store will be open on the following date(s) at the Franchised Location(s) listed next to the date(s): _____

_____. The term of this Addendum shall expire on the last date set forth in the immediately preceding sentence, unless the Agreement is terminated earlier as provided therein. In no event will the term of this Addendum extend beyond the term of the Agreement. If the Agreement is in effect and no events of default have occurred, then this Addendum may be renewed in a writing signed by all parties which specifies the Franchised Location(s) and dates the Temporary Store will be operating. If applicable, the Franchised Location(s) is/are located at, in or adjacent to the following facility ("Host Facility"): _____

The Franchisee acknowledges and agrees that the Franchised Location(s) of its Temporary Store shall not be located within any protected territories of other franchisees of the Franchisor.

3. **Waiver of Fees.** The parties acknowledge that no initial franchise fee shall be charged for entering into this Addendum and that the Franchisee will not be required to spend any amounts on local advertising of the Temporary Store or participate in any regional advertising programs or cooperatives with respect to the Temporary Store. The Franchisee will be required to pay the Marketing and Promotion Fee with respect to Gross Retail Sales generated by the Temporary Store, however, pursuant to the terms of the Agreement.

4. **Approval of Lease.** The parties confirm that the provisions of Section 5.1 of the Agreement requiring the Franchisor's prior written approval of a lease will apply to the Franchised Location of the Temporary Store. If the placement and operation of the Temporary Store in or in connection with a Host Facility requires the consent of the owner, franchisor or licensor of the Host Facility, the Franchisee hereby represents and warrants that such consent has been obtained in writing,

and such representation is a condition precedent to the grant of the Franchisee's right to establish and operate the Temporary Store.

5. **Initial Training Program.** Statements in Sections 5.6, 6.1 and 6.2 of the Agreement related to the completion of the initial training program shall not be applicable to the Temporary Store insofar as no additional personnel of the Franchisee will be required to attend the Franchisor's initial training program as a condition precedent to the grant of the Franchisee's right to operate the Temporary Store, but the person designated by the Franchisee to assume primary responsibility for the management of the Temporary Store will be required to have successfully completed the initial training program.

6. **Development and Operations.** Sections 7.1.a, .b and .f and Section 10.1.f of the Agreement shall not apply to the Temporary Store. The Franchisee agrees to comply with all of the Franchisor's standards and specifications for Temporary Stores as they exist from time to time, including standards and specifications for carts.

7. **Royalty.** The following shall be added at the end of Section 11.1 of the Agreement:

Further, the Franchisee agrees to report all Gross Retail Sales, defined in Section 11.2 below, generated from or through its Temporary Store separate and apart from reports of its Gross Retail Sales generated from or through its traditional Store(s).

8. **Franchisee Reports.** The following sentence shall be added to the end of Section 15.1 of the Agreement:

The Franchisee agrees to keep the bookkeeping and accounting records for the Temporary Store separate from the bookkeeping and accounting records of all other Store(s) owned by the Franchisee. The Franchisee further agrees to keep separate bookkeeping and accounting records to differentiate all sales and operations of the Temporary Store from all sales and operations of the Host Facility, if any.

9. **Pre-Conditions to Franchisee's Transfer.** The following shall be added as a new Section 16.2.i:

i. The Franchisee's traditional Store and Temporary Store are being transferred to the same proposed transferee simultaneously and as part of the same transaction.

10. **Termination by Franchisor - Effective Upon Notice.** The following shall be added to the Agreement as new Sections 18.1.j and 18.1.k, respectively:

j. **Loss of Right to Operate at Host Facility.** If the Temporary Store is operated at a Host Facility, if the Franchisee loses the right for whatever reason to operate the Temporary Store at the Host Facility.

k. **Transfer of Franchisee's Traditional Store Without Transfer of Temporary Store.** If the traditional Store governed by this Agreement is transferred in any manner pursuant to a transaction where the Temporary Store licensed under the Addendum to this Agreement is not transferred in full simultaneously therewith to the identical transferee.

11. **Insurance Coverage.** The Franchisee shall not be required to obtain all-risk personal property insurance for the Temporary Store and accordingly, Section 21.1(iv) shall be deleted.

12. **Franchisee Representation.** The person(s) or entity(ies) executing this Addendum as the Franchisee is (are) identical to the person(s) or entity(ies) who executed the Agreement.

13. **Ratification.** Except as modified in this Addendum, all terms, conditions and obligations set forth in the Agreement are hereby ratified and confirmed by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum effective as of the _____ day of _____, 20____.

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE
FACTORY, INC.

By: _____
Title: _____

FRANCHISEE:

Individually

AND:

(if a corporation or partnership)

Company Name

By: _____
Title: _____

(6/1/03)

EXHIBIT J

ADDENDA TO FRANCHISE AGREEMENT – RENEWAL AND TRANSFER

S00980

AMENDMENT TO
ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISE AGREEMENT
(RENEWAL)

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. ("Franchisor") and _____ ("Franchisee") are signing a Rocky Mountain Chocolate Factory Franchise Agreement ("Agreement") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment to Rocky Mountain Chocolate Factory Franchise Agreement ("Amendment"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. **Initial Franchise Fee.** Section 4.1 is deleted in its entirety.
2. **Approval of Lease.** Section 5.1 shall apply according to its terms to all lease renewals and purchase agreements for the Franchised Location which are executed during the term of the Agreement.
3. **Commencement of Operations.** Section 5.6 is deleted in its entirety.
4. **Training.** Sections 6.1 and 6.2 are deleted in their entirety.
5. **Development Assistance.** Article 7 is deleted in its entirety.
6. **Upgrading and Remodeling.** In accordance with Section 10.1.j of the Agreement, Franchisee is required to remodel the Franchisee's Store to current design specifications which includes the following changes to be completed no later than 6 months from date of receipt of the Agreement and this Amendment for signature: _____
7. **Monthly Royalty.** All of Section 11.1 of the Agreement shall be deleted except for the first sentence, which shall remain as written.
8. **Release.** Franchisee for itself, its successors, assigns, agents, representatives, employees, officers and directors, hereby fully and forever unconditionally releases and discharges Franchisor and its successors, assigns, agents, representatives, employees, officers and directors (collectively referred to as "Franchisor's Affiliates") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against Franchisor or Franchisor's Affiliates, or which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or Franchisor's Affiliates, however characterized or described, which relates in any way to the previous franchise agreement dated _____, between Franchisee and Franchisor or the former franchise relationship, from the beginning of time until the date of this Agreement.
9. **Successor Fee.** Franchisor acknowledges receipt of \$100 from Franchisee in payment of the successor franchise fee.
10. **Inconsistent Terms.** The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

S00981

Fully executed this _____ day of _____, 20____.

**ROCKY MOUNTAIN CHOCOLATE
FACTORY, INC.**

By: _____
Bryan J. Merryman
Chief Operating Officer

FRANCHISEE:

_____, Individually

_____, Individually

AND:

Company Name

By: _____
Title: _____

(6/1/03)

AMENDMENT TO
ROCKY MOUNTAIN CHOCOLATE FACTORY FRANCHISE AGREEMENT
(TRANSFER)

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. ("Franchisor") and _____ ("Franchisee") are signing a Rocky Mountain Chocolate Factory Franchise Agreement ("Agreement") contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Amendment to Rocky Mountain Chocolate Factory Franchise Agreement ("Amendment"). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. **Initial Franchise Fee.** Section 4.1 is deleted in its entirety.
2. **Approval of Lease.** Section 5.1 shall apply according to its terms to all lease renewals and purchase agreements for the Franchised Location which are executed during the term of the Agreement.
3. **Commencement of Operations.** Section 5.6 is deleted in its entirety and replaced with the following:

Franchisee agrees that there will be no interruption in the day-to-day operation of the ROCKY MOUNTAIN CHOCOLATE FACTORY Store due to the change in ownership of the Store from its previous owner to Franchisee.
4. **Training.** The last sentence in Section 6.1 is deleted and replaced with the following:

At least one individual must successfully complete the initial training program before the Franchisee begins operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Store. If Franchisor does not have a training program scheduled prior to transfer so Franchisee can attend timely, at least one individual must successfully complete the first scheduled initial training program after the Franchisee begins operating the ROCKY MOUNTAIN CHOCOLATE FACTORY Store.
5. **Development Assistance.** Article 7 is deleted in its entirety.
6. **Upgrading and Remodeling.** In accordance with Section 10.1.j of the Agreement, Franchisor hereby notifies Franchisee that Franchisee is required to remodel the Franchisee's Store to current design specifications which includes the following items no later than 6 months from the date of transfer: _____
7. **Monthly Royalty.** All of Section 11.1 of the Agreement shall be deleted except for the first sentence, which shall remain as written.
8. **Transfer Fee.** Franchisor acknowledges receipt of \$ _____ from Franchisee or from the seller on behalf of Franchisee, in payment of the transfer fee.
9. **Inconsistent Terms.** The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this _____ day of _____, 20____.

**ROCKY MOUNTAIN CHOCOLATE
FACTORY, INC.**

By: _____
Bryan J. Merryman
Chief Operating Officer

FRANCHISEE:

_____, Individually

AND:

Company Name

By: _____
Title: _____

(6/1/03)

EXHIBIT K

CLOSING ACKNOWLEDGMENT

S00985

CA
1232

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

CLOSING ACKNOWLEDGEMENT

In order to ensure that your decision to purchase a Rocky Mountain Chocolate Factory, Inc. ("RMCF") franchise is based upon your own independent investigation and judgment, please complete and sign this Acknowledgement. All terms not defined herein shall have their respective meanings as set forth in the Franchise Agreement dated of even date herewith between the undersigned Franchisee and RMCF.

1. I have not received any information, either oral or written, regarding the sales, revenues, earnings, income or profits of ROCKY MOUNTAIN CHOCOLATE FACTORY Stores from any officer, employee, agent or sales representative of RMCF, except as may be set forth in Item 19 of the Uniform Franchise Offering Circular.
2. I have not received any assurances, promises or predictions of how well my ROCKY MOUNTAIN CHOCOLATE FACTORY Store will perform financially from any officer, employee, agent or sales representative of RMCF.
3. I have made my own independent determination that I have adequate working capital to develop, open and operate my ROCKY MOUNTAIN CHOCOLATE FACTORY Store.
4. I acknowledge that RMCF will provide guidelines for a suitable site for my ROCKY MOUNTAIN CHOCOLATE FACTORY Store, but I understand that I am responsible for the final decision regarding the selection of a suitable site.
5. I am not relying on any promises of RMCF which are not contained in the ROCKY MOUNTAIN CHOCOLATE FACTORY Franchise Agreement.
6. I acknowledge that the terms of the ROCKY MOUNTAIN CHOCOLATE FACTORY Franchise Agreement are not negotiable.
7. I understand that my investment in a ROCKY MOUNTAIN CHOCOLATE FACTORY Store contains substantial business risks and that there is no guarantee that it will be profitable.
8. I acknowledge that RMCF reserves the right to distribute, and may presently be distributing, the same products and services which my ROCKY MOUNTAIN CHOCOLATE FACTORY Store will offer and sell, through alternative channels of distribution using the Marks and the Licensed Methods, at any location.
9. I have been advised by RMCF and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store.
10. I acknowledge that the success of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store depends in large part upon my ability as an independent business person and my active participation, or the active participation of my General Manager, in the day to day operation of the Store.
11. The name(s) of the person(s) with whom I dealt in the purchase of my ROCKY MOUNTAIN CHOCOLATE FACTORY Store is/are _____

Dated: _____, 20____

FRANCHISEE

(Print Name) (if a corporation or partnership)By _____
Title: _____

FRANCHISEE

(Print Name) Individually_____
(Print Name) Individually

(6/1/03)

S00986

EXHIBIT L

RECEIPT OF OFFERING CIRCULAR

S00987

CA 1232

RECEIPT
(Return this copy to us)

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. OFFERS YOU A FRANCHISE, ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- A. THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- B. TEN BUSINESS DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR
- C. TEN BUSINESS DAYS BEFORE ANY PAYMENT TO ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT A.

Rocky Mountain Chocolate Factory, Inc. authorizes the respective state agents identified on Exhibit A to receive service of process for Rocky Mountain Chocolate Factory, Inc. in the particular state.

I have received a Uniform Franchise Offering Circular dated June 16, 2003. This Offering Circular included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
- B Franchise Agreement
- C List of Franchisees
- D Franchisees Who Have Left the System
- E Financial Statements
- F Operations Manual Table of Contents
- G Sublease and Assignment Agreements
- H Addendum to Franchise Agreement – Satellite Stores
- I Addendum to Franchise Agreement – Temporary Stores
- J Addenda to Franchise Agreement – Renewal and Transfer
- K Closing Acknowledgment
- L Receipt of Offering Circular

Date

Prospective Franchisee

Print Name

ITEM 23

RECEIPT

(Keep this copy for your records)

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. OFFERS YOU A FRANCHISE, ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- A. THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- B. TEN BUSINESS DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR
- C. TEN BUSINESS DAYS BEFORE ANY PAYMENT TO ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF ROCKY MOUNTAIN CHOCOLATE FACTORY, INC. DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT A.

Rocky Mountain Chocolate Factory, Inc. authorizes the respective state agents identified on Exhibit A to receive service of process for Rocky Mountain Chocolate Factory, Inc. in the particular state.

I have received a Uniform Franchise Offering Circular dated June 16, 2003. This Offering Circular included the following Exhibits:

- A List of State Agencies/Agents for Service of Process
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- I Addendum to Franchise Agreement – Temporary Stores
- J Addenda to Franchise Agreement – Renewal and Transfer
- K Closing Acknowledgment
- L Receipt of Offering Circular

Date

Prospective Franchisee

Print Name

S00989